

AN INQUIRY INTO THE PRINCIPLES OF POLITICAL OECONOMY.

BOOK IV. OF CREDIT AND DEBTS. PART IV. OF PUBLIC CREDIT.

CHAP. I.

Of the various Consequences of Public Debts.

THE principles which influence the doctrine of public credit are so few, and so plain, that it is surprizing to see how circumstances could possibly involve them in the obscurity into which we find them plunged on many occasions.

For the better clearing the way towards the main object, I shall shew, from experience, and from the progress of public credit in some nations, that the true principles have been overlooked, and confounded so with extraneous objects, as to be entirely lost.

The true method of decyphering, as it were, the complicated operations of statesmen with respect to this branch, is to bring back to their native simplicity such plans of administration, as, from the infinite perplexity of them, make people believe, that the principles which influence this district of science lie so involved

involved, as to require a peculiar force of genius even to comprehend them.

By proceeding in this plain track, and by keeping the principles constantly in view, the most perplexed systems of borrowing, funding, stock-jobbing, coining and re-coining of money, changing the weight, fineness, and denominations of specie, circulating paper in conjunction with it, imposing upon mankind with bubbles and bankruptcies, and calling them operations of public credit, may be rendered intelligible to the most slender capacity.

Many of these topics have been already explained, and dismissed. This will enable us to contract the plan of what remains in proportion to the objects it is to comprehend.

Public credit we have defined to be, the confidence reposed in a state, or body politic, borrowing money, on condition that the capital shall not be demandable, but that a certain proportional part of the sum shall be annually paid, either in lieu of interest, or in extinction of part of the capital; for the security of which payment, a permanent annual fund is appropriated, with a liberty, however, to the state to set itself free, by repaying the whole, when nothing to the contrary is stipulated.

In this definition I have put in an alternative, of paying a perpetual interest for the money borrowed, or of paying annually a sum exceeding the interest; which excess is intended to extinguish the capital in a certain number of years. In both cases, the annual payment is called an annuity. When it is exactly equal to the interest agreed on, it is called perpetual; and determinate, when granted either for life, or for a certain number of years.

The solidity of this security is essential to the borrowing upon the cheapest terms: let me suppose it to be as solid as land-property, and as permanent as government itself: what will the consequence be?

If we suppose government to go on in increasing, every year, the sum of their debts upon perpetual annuities, and appropriating, in proportion, every branch of revenue for the payment of them; the

the consequence will be, in the first place, to transport, in favour of the creditors, the whole income of the state, of which government will retain the administration. The farther consequences of this revolution will furnish matter for a chapter by itself.

If the borrowings of a state be only in proportion to the extinction of the old capitals, or of what I have called determinate annuities, then the debts will not increase.

When a statesman, therefore, establishes a system of public credit, the first object which should fix his attention is to calculate how far the constitution of the state, and its internal circumstances, render it expedient to throw the revenue of it into the hands of a money'd interest. I say, this is the most important object of his deliberation; because the solidity of his credit depends upon it.

If, all the interests of the state duly considered, that of trade be found to predominate, less inconvenience will be found in allowing the money'd interest to swell: but in monarchies, where the landed interest is the most powerful, it would be dangerous to erect so formidable a rival to it. In political bodies every separate interest will consult its own; and in the contest between those who pay, and those who receive the taxes, under the denomination of creditors, the security of public credit becomes precarious.

From this we may conclude, *1mo*, That in governments where the swelling of a money'd interest is found to threaten the tranquillity of the state, care should be taken either to establish a sinking fund, for paying off, in times of peace, what may have been borrowed in times of war, or the plan of borrowing upon determinate annuities must be established.

*2do*, If natural causes be left to work their own effects, without a systematical plan of borrowing, the consequence will be a bankruptcy, and a total failure of public credit, at least for some time.

*3tio*, If a state should find the mass of their debts to amount to so great a sum as to be insupportable, they might have recourse to a total, or partial abolition of them by an act of power.

*4to*, If

*4to*, If they allow their debts to swell without limitation, and adhere to the faith of their engagements, the whole property of the state will be in constant circulation, from one class of men to another.

*5to*, If the debts contracted be the property of foreigners, these will either remove into the country, where their funds arise, or the property, that is, the *dominium utile* of the country, will be transferred from the natives.

These and many other combinations will arise from the extension of public credit; and an examination of the most natural consequences upon every supposition, will be the best way to acquire a distinct idea of the subject in general. To pretend to foretell any one certain chain of consequences, which may, in fact, result from any combination, is, I apprehend, impossible; because every one of them will depend upon circumstances totally unknown. These, in our way of examining matters of this kind, are all to be founded upon supposition. To supply therefore, in some measure, this defect, I shall first have recourse to examples of what has happened in the hitherto infant state of public credit; and as to cases which have not as yet taken place, we must have recourse to ingenuity, and endeavour to form the most rational combinations we can.

## CHAP. II.

### *Of the Rise and Progress of Public Credit.*

WHILE the policy of Princes directed them to form treasures, there was no occasion for public credit. This policy prevailed until the rise of the Roman empire. Then all the treasures of the world were plundered, and nations were enslaved. On this revolution, the exigencies of that great empire were supplied from



from the annual tributes paid by conquered nations. Under good reigns, this annual supply swelled the public treasure, until a prodigal Emperor squandered it away; and took to rapine and extortion, to fill up the void.

Upon the total dissolution of that great empire, Europe was overrun by barbarous nations, who, with as little industry as ever, supported their power by the military services of the whole people.

After the establishment of the feudal kingdoms under their chiefs who first laid the foundation of them, arose the Barons, or principal vassals, who, in imitation of their chief, erected small principalities, which by degrees grew independent.

This distribution of power into many hands had the effect of destroying all systematic plans of government. Princes were obliged to act according to the perpetual fluctuation of circumstances, until by a revolution in their favour, the power of the vassals was swallowed up, and confined within the limits of a more regular authority.

In proportion as this revolution took place among the nations of Europe, the system of their government resumed a more permanent form. Justice was administered with more uniformity; and from this arose a body of laws, which, in some countries, were called customs: in others, as in England, common law. Wars then became less frequent; and the military services not being necessary on all occasions, insensibly became converted into taxes, proportioned to the exigencies of the time.

During this period, the coin and precious metals of Europe were lodged, in a great measure, in private coffers. If wars brought them forth for a short time, they soon found their way back again. Princes were generally extravagant, and spent money as fast as they got it. In proportion as industry and alienation increased, the coin came abroad; the inhabitants became easy in their circumstances; the state flourished, and acquired reputation. The riches and power of a state began then to be estimated, as they ought to be, not by their treasures locked up, but by what was found in circulation;

tion; that is, by their industry. Venice, Genoa, and the Hans-towns, set the example. The Jews, banished from France, on account of their extortions in the time of the holy wars, fled, as it is said, into Lombardy, and there invented the use of bills of exchange, for drawing their riches from countries to which they durst not resort to bring them off. Interest for money began to be considered as lawful in many cases: merchants were protected by Princes, for the sake of the consequences of trade and industry: and from such small beginnings has that mighty engine of public credit sprung.

While Princes mortgaged their lands and principalities, in order to obtain a sum of money, they acted upon the principles of private credit. This was the case in the more early times, before government acquired that stability which is necessary to establish a firm confidence. In proportion as it drew towards a regular system, the dawn of credit put on appearances analogous to the solidity of the fund upon which it was established.

The second step was to raise money upon a branch of taxes assigned to the lender, for the reimbursement of his capital and interest. We shall shew the consequences of this plan of credit from some examples, which will fully point out all its inconveniences.

This plan of administration was attended with so much abuse, and so much oppression, that statesmen began to despair of carrying on public affairs by such expedients; and therefore concluded that the only way to obtain money at the least expence, was to raise it on the subject within the year, or upon what they called short funds.

At length public credit assumed its present form. Money was borrowed upon determinate or perpetual annuities: a fund was provided for that purpose: and the refunding of the capital was, in many cases, left in the option of government, but was never to be demandable by the creditor.

This is a short view of the progress of public credit. The principles upon which it is built are so few, that were I to confine myself to a bare deduction of them, little new or interesting could be said: I shall therefore steer another course: I shall collect the sentiments of some eminent politicians, who have either writ upon, or acted in the administration of this branch of government; and by applying principles as we go along, I shall be enabled to point out the extraneous circumstances which are so apt to involve this subject in obscurity. Had we not before our eyes the numberless examples of this kind, it would hardly be possible to conceive how so great a confusion, and so many calamities, could have followed upon the operations of public credit.

### C H A P. III.

*Of Anticipations, or borrowing Money upon Assignments to Taxes for the Discharge of Principal and Interest.*

I HAVE already observed, that by the cessation of the constant wars, in which all Europe was engaged during the feudal government of the barons, nations began to enjoy some sort of tranquillity. Upon this the military services became insensibly converted into taxes; and as Princes extended their jurisdictions over the cities, which had been formerly more under the protection of the bishops who resided in them, taxes were augmented. These impositions were very inconsiderable, with respect to what they brought into the King's coffers. The policy in raising them was bad; the frauds in collecting them were great.

These considerations engaged Princes to begin by contracting debts, and to pay afterwards by temporary assignments to the taxes imposed.

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From this again ensued the most terrible extortions on the side of the tax-gatherers, so often complained of by those who have writ on the affairs of France, as we shall see in the following chapter.

Philip *le bel*, King of France, was the first who, in 1301, admitted, with great policy, the inhabitants of cities to have a seat in the states of the kingdom. He formed them into a distinct body, and called them *tiers etat*, or the third estate, after the clergy and the nobility. His view was to facilitate thereby the jurisdiction he wanted to establish over those cities, and to engage them to consent to the imposition of taxes for carrying on his wars in Flanders, and for opposing the ambitious views of Boniface VIII. Accordingly, the people began to pay willingly, when once they found that they had a vote in what concerned them.

I take it for granted, that every tax, about that time, was imposed for a particular purpose, and assigned either to creditors, or to people who advanced money upon it: because we are told that the first imposition granted by the states to a King of France as a permanent branch of revenue, was an excise upon spirituous liquors granted to Philip deValois, in the year 1345; at which time, however, according to Mr. d'Eon's *Memoires pour servir à l'Histoire generale des Finances*, there were not less than twenty two different taxes known in France, which he enumerates as follows:

*Tailles, complaintes, charges, redevances, coutumes, peages, travers, passages, centiemes, cinquantiemes, gtes, chevauchés, subventions, exactions, chevaleries, aides, mariages, toutes, impositions, prisons, servitudes, and nouvelletes.*

That all these impositions must have been mere trifles, I gather from a circumstance in the Political History of France, mentioned by the author just cited, which being itself exceedingly curious and tending greatly to confirm many things which I have advanced concerning the small circulation in former times, I shall here briefly mention it.

In 1356, John, King of France, applied to the States for 50,000 livres, about 9165 *l.* sterling, to pay his army. The States, besides several other taxes imposed to pay this sum, granted him 8 deniers on the livre, or  $3\frac{1}{7}$  per cent. upon all meat, drink, and merchandize, sold in France within the year; that is to say, upon the whole alienations of France. The tax was levied, but fell so far short of the sum required, that it was made up by a poll-tax.

Can any example be better calculated for forming a notion of the circulation of France at that time?

It may be here alleged that the prices of every thing were then so very low, that no judgment can be formed concerning the quantity of alienation from the smallness of the sum. This objection is of no force, as I shall presently shew.

We know from the records of the selling price of grain in France, which was then remarkably cheap in proportion to the years which followed and which had preceded, that in 1356, the septier of wheat, or 4 Winchester bushels, sold for 17 sols 8 deniers of the then currency, which was 12 livres to the marc fine silver, and a French soldier's allowance for bread, to this day, is 3 septiers, or 12 Winchester bushels a year. Now let me suppose, that the whole 50,000 livres had been raised by this imposition of  $3\frac{1}{7}$  per cent. or  $\frac{1}{7}$  of the total value of the single article of corn sold at market, which was far from being the case, and then compare that with the number of men who could have been subsisted with all the corn sold in France at that time.

If  $\frac{1}{7}$  of the price was the tax, then by multiplying 50,000 livres by 30, we have the value of the corn sold; to wit, 1 500 000 livres: divide this sum by the value of what a man consumes in a year, to wit, 3 septiers at 17 sols 8 deniers, which make 2 livres 13 sols, and the quotient will be the number of portions for a man, to wit, 566 037. So the whole alienation of France, at that time, fell far below the value of as much wheat as would have fed 566 037 men.

What a poor idea does this communicate of the state of Europe only, 400 years ago! It would be in vain to seek for examples to illustrate

any principle of our complicated modern oeconomy in the histories of those times: their taxes, their credit, and their debts, resembled ours in nothing but the name.

I now come nearer home, and give an account of the ideas of public credit formed by Davenant, who flourished about the time of the revolution in 1688, which I may take to be the æra of public credit in England.

No person at that time, whose writings I have seen, appears to have so thoroughly understood those matters as Davenant. He was a man of theory, as well as knowledge of facts: he had an opportunity which few people have, to be well instructed in the one and the other; and he turned his talents to the best advantage for promoting the interest of his country. He has writ many tracts on political subjects, which, when carefully read and compared with what experience has since taught us, cast great light upon many questions relative to the subject of this inquiry.

Davenant, like other great men of his time, was of opinion that borrowing money upon what he calls short funds, was much preferable to that upon perpetual interest; and he thought the most adviseable plan of all, could it be accomplished, was to raise the money wanted within the year.

Men, at that time, had a terror upon them in contracting debts for the public: they considered the nation as they would a private man, whose interest is one, uncompounded, and relative to himself alone: in this light, creditors appeared as formidable as enemies; they were looked upon by ministers as such; and this general opinion on one side, contributed, no doubt, to make the monied people less interested in the distress of government, and more ready to lay hold of every opportunity of improving such occasions, for their own advantage.

Government was in constant war with creditors: when ready money failed in England, it had nothing to pay with but exchequer tallies, upon the taxes imposed; these were much more easily issued than acquitted. When the first year's amount of a tax was engaged, people

people considered the security of what was to follow as very precarious; consequently, the value of it diminished.

This method, however, succeeded far better in paying off debts already contracted, than in contracting new ones; and the hardships put upon those who had advanced money to government, and who were paid by assignments upon taxes previously engaged, made people afterwards very dissident, except upon proper security. The limited form of the English government, prevented the violent proceedings between ministers and public creditors, which were common in France; and this circumstance contributed, no doubt, to establish the credit of the former upon the better footing. But still the long expectation of payment of the capital and interest, upon a distant fund, made Davenant acknowledge that 700,000 *l.* in ready money, would at any time go farther than a million in tallies; and yet he thought it was better for the state to borrow the million upon a plan of discharging the debt in three or four years, than to obtain the 700,000 *l.* at the expence of a perpetual interest of 8 *per cent.*

There were many more considerations which moved Davenant to prefer what he calls short funds to perpetual interest.

It was the general opinion in his time (not his own indeed, for he endeavoured to shew the fallacy of it) that money borrowed upon the anticipation of a fund, *raised and appropriated for the discharge of it*, was not a debt upon the state; because it did not diminish the former revenue. We have a remarkable instance of the prevalence of this opinion, in the famous memorial presented by M. Desmaretz to Philip Duke of Orleans, after the death of the late King of France; wherein he advances, that during seven campaigns, from 1708 to the peace of Rastad, while he had been at the head of the King's finances, he had not increased the public debts by more than nine millions of livres capital: and yet when he came into the administration, in 1708, the King's debts did not amount to 700 millions; and we have seen, that at the time of his death, they were upwards of 2000 millions. But Desmaretz did not reckon the dif-

ference

ference of about 1300 millions; because he had settled them upon funds of his own creation. This was so much the language of the times, that no criticism was made upon it.

It is remarkable, that Davenant, in giving an account of the debts of England, during the period of which he writes, that is, from the revolution down to the peace of Ryfwick, hardly ever takes notice of the sums paid for interest upon them. The minds of men at that time were totally taken up with the payment of capitals; and providing these could be discharged in a few years, it was no matter, they thought, what they cost in the mean time.

As long as nations at war observe the same policy in their methods of raising money; the ways in which they proceed are of the less importance: but when any one state makes an alteration, by which more money is thrown into their hands than they could formerly obtain; this circumstance obliges every other state to adopt the same method. Thus while Princes made war with the amount of their treasures and annual income, the balance of their power depended on the balance of such resources: when they anticipated their income on both sides, for a few years, the balance was in proportion still: when, afterwards, they adopted long funds and perpetual interest, the supplies increased; but still the balance was determined as formerly.

The usefulness, therefore, of an inquiry into the principles of public credit, has not so much for its object to discover the interest of states in adopting one mode of credit preferably to another, as to discover the consequences of every one; and to point out the methods of making them severally turn out to the best account for the state, considered as a body politic by itself, and for the individuals which compose it.

When so many different relations are taken in, the subject becomes much more complex, and therefore the consequences *which can only be guessed at* must be less determinate: but on the other hand, it opens the mind, and suggests many hints which with time may be improved for the good of society.

People

People who barely relate political facts, only afford an exercise to the memory: those who deduce principles, and trace a chain of reasoning from them, give exercise to the understanding; and as a small spark may raise a mighty flame, so a hint thrown out by a slender genius may set all the great men of a nation on a plan of general reformation and improvement.

Let us now take a view of the state of public credit in England, at the peace of Ryfwick; in order to shew how Davenant came to be so great an enemy to long funds, and more especially to perpetual interest. We shall at the same time point out from what causes the great change of sentiments at present proceeds.

At the peace of Ryfwick, the debts of England, according to Davenant, in his fifth discourse upon the public revenues and trade of England, stood at 17 552 544 *l.* sterling; call it 17 millions and a half, as we have no occasion to calculate with exactness.

Of this debt the capital of 3½ millions was sunk, as he calls it; because 1 300 000 *l.* was on lives at 14 *per cent.* and what was over to make up the 3½ millions, was intended to remain a perpetual burthen on the nation.

For paying the interest of this sum, no less than 400 000 *l.* a year was necessary, which makes on the whole above 11 *per cent.*

But then it must be observed, that more than one third of the sum was upon lives at 14 *per cent.*: the debt due to the bank, of which we have spoken in another place, was 1 200 000 *l.* for which was paid 100 000 *l.* a year, including 4000 *l.* allowed for the charge of management: the remaining million was upon lottery tickets, bearing about 8 *per cent.* the price at which the bank had lent.

The second branch of debts was near 11 millions, which, he says, were in course of payment; because they were secured upon branches of revenue engaged for discharging them. A part of this class of debts was to be extinguished in the year 1700: and whenever that was done, then a proportion of the appropriated taxes, amounting yearly to above a million sterling, was immediately to be taken off.

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The third class of debts were those not provided for at all; which in the place referred to, he makes to amount to no more than 3 200 000 *l.* but he afterwards finds his mistake, and that they in fact amounted to above 5 millions and a half, which makes the debts of England at the peace of Ryfwick, to have been near 20 millions.

Was it then any wonder, that a man who wished well to his country, should prefer borrowing upon short funds at any expence whatever in the mean time, rather than at perpetual interest, when he found that parliaments could not be prevailed upon to allow any tax to subsist one instant after the discharge of the debts for the payment of which it had been appropriated?

Besides, there was very little to be gained by borrowing upon long funds and perpetual interest, as long as the lenders considered their advantage to consist principally in getting their capitals re-funded.

The plain matter of fact was, that trade at that time was only beginning to take root in England, and demanded funds to carry it on. The use of banks had not then been discovered, for turning property into money. Circulation, consequently, was confined to the coin; and profits on trade were very great. All these circumstances rendered capitals of essential use; and the consequence was, to raise interest to an excessive height.

Compare this situation with the present. Were the capital of 140 millions sterling thrown by Great Britain, in a few years, into the hands of the present creditors; were France, on the other hand, to throw in as much, what trade could absorb it? Capitals now are only of value in proportion to the interest they bring; and so long as the interest paid on public debts is sufficient to keep circulation full, and no more, interest will stand as it is: when that ceases to be the case, as in time of war, we see interest begins to rise; and when, on the other hand, the interest paid, proves more than sufficient for the uses of circulation, as upon a return of peace, then, from the same principles, interest must diminish.

VOL. II.

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Davenant,

Davenant, like an able politician, who had the state of facts before him, reasoned according to actual circumstances. Whatever was borrowed on long funds, was charged on the standing revenue of the state, which parliament was very unwilling to increase in proportion to the charges laid upon it. This, of itself, was argument sufficient with him to cast his view upon short appropriations, or upon his favourite object, of raising money within the year, to supply the exigencies of the state.

But in this operation he found great difficulties. In his treatise of ways and means, article *excises*, where he is searching for expedients to provide money for the war, he plainly shews a thorough knowledge of that imposition. It had taken place in England as far back as the great civil war, and formed at the revolution about  $\frac{1}{3}$  of all the revenue: but what is very extraordinary, and which at present will hardly be credited, the excise had at that time the effect of sinking the price of the subject excised, instead of raising the price of what was produced from it. Thus the excise upon malt, after the revolution, had the effect of lowering the price of barley, instead of raising the price of beer.

This effect of excises Davenant saw; from which he, and since him many more have concluded, that all excises fall ultimately upon the land.

This circumstance, together with a feeling for the interest of the great number of *idle* poor at that time, who must constantly suffer by excises, engaged Davenant to propose having recourse to the land-property and poll-taxes, for raising, within the year, the sums required for carrying on the war.

According to his proposal, there was to be no less than 3 millions raised by a land tax, besides half a million by a quarterly poll, which was, at that time, above 100,000*l.* more than all the permanent taxes of England put together.

A proposal of this kind coming from Davenant, shews the difference of situation between those times and the present. On this sub-

ject more is to be learned by comparing facts, than by all the reasoning in the world.

We have seen how credit stood in England during the reign of William III. It was then in its infancy, and was set upon the principles of a free and limited authority, exercised by ministers of state at all times responsible to parliament at the risk of their heads, in case of any open violation of the public faith. This is the best of all securities against the bad exercise of power.

Whoever reads the admirable writings of Davenant, and compares his ideas with what experience has since taught us, concerning the nature of taxes and public credit, will plainly discover that the great distress of England at that time, proceeded from the following causes.

The enterprize they were engaged in, was far beyond their power to support, although they had the greatest part of Europe to assist them.

The bravery of the British nation was ill supported with money, the finews of war.

The coin soon after the revolution fell into the greatest disorder, which sent it away; and no expedient was found to supply its place for the uses of domestic circulation; and, consequently, the fixed revenue could not be paid, nor industry carried on.

The people were unaccustomed to taxes: tunnage and poundage, the branch with which they were best acquainted, and which they bore with the least murmuring, because it was little felt by individuals, together with the excise upon beer and ale, the hearth money, the post-house, and wine-licences, composed the whole of the permanent revenue of the state, and amounted to about one million and a half sterling: besides which, the parliament had granted new customs (all to cease before 1690) to the amount of about half a million more, upon wines, tobacco, sugar, and French linnen. This was the state of the revenue at the revolution.

One would imagine that England, under so small a burthen, might have been able to make the greatest efforts.



Were we now to grapple with France, under such circumstances, what sanguine hopes would we not form of success! The case turned out widely different: the first benefit the nation expected in consequence of their liberty restored, was an abolition of the hearth money; a tax which raised over the whole kingdom, 245,000*l.* and was considered as an insupportable burthen.

Such sentiments and dispositions in the English nation, might have been a sufficient indication of what was to be expected from the war; the consequences of which had, before 1695, produced the following changes in the revenue.

The tunnage and poundage, which at the revolution produced 600,000*l.* was by this time reduced to 286,687*l.*

The excise upon beer and ale, from 666,383*l.* was reduced to 391,275*l.*

The hearth money was abolished.

The post-house, from 65,000*l.* was reduced to 63,517*l.*

The wine-licences, from 10,000*l.* to 5000*l.*

The temporary customs which subsisted at the revolution, were now expired, and had been either continued by new grants, or by others of the same nature introduced in their stead. The former had produced 415,472*l.* the new produced 373,839*l.*

The last and most important grant of all, was an additional excise upon beer and ale, which produced 450,000*l.*

The revenue at the revolution produced, clear of all charges, 2 001 855*l.* sterling. A revenue established at pretty much the same rate, and nearly on the same objects, with an addition of a new excise, which produced 450,000*l.* produced net in 1694, no more than 1 570 318*l.* so that, deducting the new excise, the old revenue was diminished in its produce, no less than 1 081 527*l.* or above one half, in five years time.

In a country like England, at that time, taxes were of little use to the state, and were an excessive burthen on the people.

What could they be paid out of? Not out of the value in the hands of the people; because there was no way provided for turning

ing that value into money. The whole of the money coined before the end of the war in 1697, did not amount to 8½ millions. It was not to be expected that during the war, foreign coin was to come in, except in consequence of borrowing; and we may be very certain, that all that was borrowed, and a great part of what had been coined at home, had gone out from the year 1695 to 1697. Under these circumstances, the exchequer issued tallies of wood, a notable expedient for facilitating circulation! And the bank of England lent not one farthing upon mortgage: all that was possible to be raised on the land and on the people, by pound-rate, assessment, and poll-tax, was imposed.

Now let us recall our principles concerning circulation, alienation, and banking upon mortgage, and combine these with what we have so frequently repeated, and I think demonstrated, viz. that in proportion to the extent of alienation, and the demands for money, a circulating equivalent should be provided, so as to be ready at the hand of every person who has property to pledge for it; and then decide whether it was any wonder that credit in England should have been at so low an ebb at the peace of Ryfwick; that taxes should have diminished in their produce; that interest should have risen to such an extravagant height; that the people should have groaned under a load from which they could not relieve themselves.

Under such circumstances, England appears to me in the light of a dumb man put to the torture in order to extort a confession.

Were eight or nine millions sterling in coin, and a few wooden sticks, the tallies, constantly sold at a great discount, a circulating value sufficient to supply the exigencies of a state which was spending annually at the rate of five or six millions?

The consequence of this total drain of money, was, that people could neither consume exciseable commodities, or pay the taxes laid upon their persons and solid property.

The excises failed, because the body of the people, who paid them, were interrupted in their industry, for want of money to

carry on alienation. Those who were liable to the arbitrary impositions, such as the landlords, could not pay; because what they had, their land, could not be given in payment.

From what I have here laid together, we may determine, that as alienations among individuals cannot exceed the proportion of the circulating equivalent of a country, so a statesman when he intends suddenly to augment the taxes of his people, without interrupting their industry, which then becomes still more necessary than ever, should augment the circulating equivalent in proportion to the additional demand for it.

This, according to my notions, cannot be so well compassed as, 1. by establishing banks of circulation upon mortgage: 2. by relieving those companies of the load of paying foreign balances by giving bills at par, or at a small exchange: and 3. by providing funds abroad for the payment of them, according to the principles above deduced.

Such expedients will work their effect, in a nation where the public faith stands upon the solid security of an honest parliament, and upon that responsibility which is fixed upon those who are trusted with the exertions of the royal authority.

I think I may illustrate this operation by a simile.

A gentleman chooses to form a cascade of the water which serves to turn his corn-mill; consequently, the mill stops: but in its stead, he immediately erects another which turns with the wind. Coin is the water, bank paper is the wind, and both are equally well calculated for the use they are put to.

## C H A P. IV.

*Of the State of public Credit in France before the reign of Louis XIV. and of the Sentiment of the great Richlieu upon that Subject.*

HAVING laid before my reader the sentiments of Davenant on the subject of public credit, which were analogous to the then state of England, it may be instructive to compare them with those of another very great man, in a rival nation; I mean the Cardinal de Richlieu.

The constitution of Great Britain at present, is pretty much what it was in Davenant's time: and that of France does not differ widely from what it was at the death of Louis XIII.

Britain and France are two nations, rivals in every thing worthy of emulation, and similar in those distresses which are the inseparable concomitants of modern ambition, debts and taxes.

As long as the constitution of the two governments shall stand as at present, Britain will constantly have the advantage in borrowing: France will have it in paying off her debts. It is this contrast which engages me to enter into the following detail. I consider it not only as a piece of historical curiosity, but as a subject of profound reflection, from which much instruction may be gathered.

The fate of kingly power was decided, both in Britain and in France, much about the same time. In France, it was supported by Cardinal de Richlieu; in Britain, it was broken to pieces under Charles I.

Before that time there was no fixed form of government established in either country; nor can ever a regular constitution take place any where, until the mechanism of a state becomes so complex as to render changes extremely difficult. This is becoming the case more and more every day; and upon this and nothing else will depend the stability of our present forms.

Let us now take a view of the sentiments of a great minister, delivered in writing by himself, in his political testament; the authority of which would never have been called in question, had the matter it contains been properly attended to, and well understood.

It is in the 7th paragraph of the 9th chapter of the testament, where the Cardinal shews his ability in paying off the debts of France: and in going through the subject, he casually has thrown out several things, which enable us to form a judgment of the state of taxes, and of the effects they were found to produce in his time.

"It is pedantry," says he, "to maintain that a prince has no right to draw money from his subjects, and that he ought to content himself with the possession of their hearts. None, however, but flatterers, the pest of society, can maintain, that he may draw from them, justly, whatever he thinks fit; and that his right extends, in this particular, as far as his will."

The taxes of France at this time had been augmented far beyond their due proportion; and this had produced many strange and contradictory phenomena; which, as we shall now see, misled the Cardinal in many respects; because his experience was not sufficient to discover the causes of them.

"The augmentation of impositions on the people," says he, "does the King *so much* hurt by raising prices, as to compensate all he can gain." If we suppose that the King gained by the augmentation; that is to say, that the tax, when increased, really produced more than before, and raised prices proportionally; then the King could only lose his proportional part, but never the whole. If the tax, by being augmented, produced less than before, which was the case often, then he lost by a diminution upon his income, not by the rise of prices. But this was not the case; because deficiencies of that kind could not fall upon the King, but upon his farmers.

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The true reason was, that the King paid most of his expences by assignments upon the taxes; and then, no doubt, the higher they were raised, and the more difficult to recover, the dearer every undertaking would cost the King.

This reasoning upon the effect of taxes shews, that at that time the doctrine of them was not well understood. No wonder: theory is not sufficient to lay open political consequences, even to the greatest genius. All our information as to these matters arises from experience, and all our instruction from our attention and reflection.

As a proof of this, he mentions, almost in the same place, an effect of the increase of taxes, which is quite contrary to the former.

"Consumption," says he, "diminishes, as taxes augment."

This is a contingent, but not a necessary consequence, as we have seen, and has the effect of lowering prices.

I mention these particulars, only to shew how little this great man had studied the principles of taxation, or combined the causes of those phenomena which he saw arising from them.

Such contrary effects could not fail to be felt, when taxes were mixed in the manner usual at that time, and when no method was contrived for augmenting the currency.

In Richlieu's time the custom was to treat with the *partisans*, as they were called, or undertakers for the farm of taxes; and for a sum of money, valued at a certain interest, to give them a right to levy certain impositions on the people, esteemed equivalent to the rate agreed upon; some in one province, some in another, as the parties could agree. Then the *partisans* fell to work with the people, and committed the most horrid extortions. In the 4th §. of his 4th chapter, he says, "The abuse is carried such a length, as to be quite insupportable, and must end in the ruin of the state; the people are plundered, not taxed; fortunes are made by rapine, not industry: using the *partisans* like sponges is very just; but liable, on the other hand, to great abuse, when not

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"conducted with moderation and justice." This is a very different system of taxation from that carried on in England in Davenant's time, and must have produced effects very dissimilar.

But it may be asked, if these partisans in France had found out means of raising money, far beyond the King's intention; what prevented the Cardinal from examining into such means, and using them in a gentle and equitable manner, to the extent only of satisfying the creditors for the money borrowed from them?

In those days several difficulties occurred, which rendered this expedient impracticable.

*1mo*, The partisans would lead in no other way; they would have nothing to do with the King as a debtor: his credit was now well established; and by having the direct administration of a tax, they considered themselves as more secure.

*2do*, Had the King levied the money on the people, and been paymaster to the creditors himself, there would have been no gains to the partisans but what were stipulated: had they exacted more than legal interest, they exposed themselves to great danger; and consequently would not lend. So, by delivering up the people to be plundered, the King made a better bargain, he thought, than any other way; and if the partisans plundered the people, the Cardinal plundered them in his turn.

*3tio*, At this time there were not, as now, merchants of extensive credit, and fair character, who serve as interposed persons for the whole money'd interest in Europe, and who can fill a subscription for millions with a single name.

The partisans themselves, as the Cardinal observes, had often neither money or credit at setting out: but by parcelling their undertaking into many hands, they got together what was necessary. Thus the subaltern associates were in a moment, like locusts, spread over the whole face of the country, and plundering went on in every quarter.

This represents a quite different system of credit from what we see established, even in France, at present; where the tax-gatherers are

are still loudly complained of, though much more than they deserve. The mode of raising the taxes is now most exactly specified by the King; and nothing more can be exacted than according to the plan laid down; but in every case severe penalties are imposed upon frauds, and when levied, are accounted for to the farmers; but when compounded for under-hand, sink into private men's pockets.

In a country where taxes are rightly established, industrious people have no occasion to indemnify themselves by fraud for the taxes they pay; they have a more certain method of being refunded. This shall be explained in its proper place.

By this method of oppression in the Cardinal's time, a great part of the odium was removed from the King, and cast upon the partisans. The people resembled a dog who bites the stick with which he has been struck, instead of biting him who holds it.\*

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\* Thus were taxes established in France, in spite of the great aversion of that nation to them. The exigencies of the state were apparent; Princes were considered as under an absolute necessity to find money at any rate; they appeared to be in the hands of unrelenting usurers, who became the execration of the people, to whose fury they were sometimes delivered over, when stripped of their wealth: the people were now and then relieved of a part of their burthen; the tax remained under milder management; formed an addition to the King's revenue, and served as a fund for future emergencies.

But the nature of man is such, that the more he grows in wealth, the more the desire of spending it increases. Thus the fund provided for unforeseen emergencies, is insensibly incorporated with that which is appropriated for the current service of the state.

Nothing however is more certain than that in time of war, far greater sums are required than any people can pay, without contracting debts.

Is it not then indispensibly necessary, either, *1mo*, To have a sum locked up in treasure? Or, *2do*, A fund appropriated, to borrow upon in time of war, which may serve to pay off the debts in time of peace? Or, *3tio*, To borrow upon the stipulation of an annual payment, which may, in a certain number of years, acquit both interest and principal?

I have now said enough to point out the method of borrowing money in France at this time, from which the nature of the security may easily be gathered.

The Cardinal, upon the supposition of an approaching peace, enters into the plan of paying off what had been contracted. He was resolved to preserve credit; for even at that time, the consequence of that great engine was sufficiently felt by this great man, to relieve the people, and to get rid of the debts.

After a long detail of all the branches of the revenue, and after shewing how they might be improved, he draws out a general state of them, and of the debts affecting them; and then adds, "The total revenue of the kingdom amounts to near 80 millions;" (the silver was then at 27 livres 10 sols the marc fine, which, valued at 2 l. 4 s. sterling, makes the 80 millions worth above 6 millions sterling) "of which there is above 45 millions engaged for the debts. By good management I pretend that this immense load of debts, which seems to be the ruin of the King, shall turn out to his ease and opulence. Some imagine it would be a right measure to free the state entirely of her burthen, (a general sponge) but as she cannot, certainly, support all the burthen, so neither does reason dictate that she should be entirely set free." No modern statesman could form a better judgment of things. The Cardinal's ideas are just and profound; and it is astonishing how a man uninstructed by our experience should see so far into remote consequences.

He next lays down different schemes for paying the debts, upon the return of peace and tranquillity. They are all arbitrary, more or less, according to the standard of English ideas of credit. But if we abstract from one expedient lately discovered, to wit, the diminishing the interest, and allowing the capitals to remain, I doubt

The first is the plan of the King of Prussia; the second that of England; the third is, in a good measure, that of France: Holland borrows no more, and pays as she can what she owes; Spain lives on her income; and Austria remained in the old way till very lately, without credit, and consequently without much debt.

if any modern statesman could discover any other than those which the Cardinal has proposed.

A preliminary step to all his schemes was, by an act of power, to reduce the debts which bore a higher interest, to that of the 16 penny, or to a little more than 6 per cent. This method of reduction has constantly been and is still practised in France.

Then he proposes to enter into an account with the creditors for the sums they had received; and to consider whatever they had obtained above the legal interest, as payments in part of the capital. This scheme however he rejects, upon examination. He says it is agreeable to equity; but that it would have the effect of totally destroying all credit for the future.

The second expedient was, to reimburse the creditors the sums which they really paid for the annuities assigned to them: but that he found impossible to verify; because they had had the address to specify, in their contracts, sums far exceeding what they really paid. For this reason he rejects the second expedient also; and adopts a third, as the best plan of any for paying off the debts. This was, to value the capitals at what they then sold for in the market, before the peace was concluded.

This method appeared to the Cardinal the most equitable, at least he says so, and the only one practicable; but in my opinion it was the most arbitrary of the three; the most liable to abuse, and the most opposite to the principles of public credit, as at present established: and yet it is a thought, which, when conducted with justice, may upon some occasions answer excellent purposes, as I shall observe in a proper place.

Had he adopted the first expedient, of ascertaining the value of the real advance, there was an appearance of justice; because the creditors were thereby represented as usurers; and by repaying them what they had advanced, by the enjoyment of an income above the legal interest, he treated them with more indulgence than the laws allow between private persons: but when money

was borrowed in time of war, a higher interest should have been allowed for it than in time of peace, when it was to be paid off; and therefore to take the standard of peace, in reckoning with the creditors who had lent in time of war, was an evident injustice.

Could he, according to the second scheme, have discovered exactly the sums which had been paid for the annuities given, and offered reimbursements upon that footing, less could have been said against it; because the mentioning more in the contract than what had been paid, was a palpable fraud against the King.

The third method, which the Cardinal approves of, contains this piece of great injustice, that the antient creditors of the state who had paid 12 years purchase for their contracts, that is, those who had lent at about 8 *per cent.* might by this scheme be paid off with one half of what they originally paid. If it be answered, that nothing is worth more than what it can bring; I answer, that it may be worth more than what it can bring *at a particular time.* During a war, an annuity which had been bought at 12 years purchase in time of peace, will fall to five, providing annuities can then be bought at that rate. The new loans constantly regulate the value of the old capitals; but upon a return of peace, they will rise to the original value.

Another injustice here was, that a minister, by borrowing a sum at a very high interest, at a time he wanted to set a value on the capitals, might sink this value. And, in the third place, the greatest injustice of all consisted in this, that the Cardinal had no thoughts of any reimbursement, as we shall see by what follows.

There was, at this time, one class of annuities constituted at 8 *per cent.* These he proposed to reduce to 6 *per cent.* as above, by his preliminary operation. Such annuities sold at that time for five years purchase. These, says the Cardinal, *we must fix at that value*; and by allowing the proprietors to enjoy them for 7  $\frac{1}{2}$  years, the capital and interest will be paid off.

Other

Other annuities constituted upon the *taille* sold for six years purchase, which, by the same rule, were to be paid off in 8  $\frac{1}{2}$  years.

The annuities and other debts charged at this time upon the *taille* alone, amounted to 26 millions a year; and by this scheme, the whole was to be paid off in 8  $\frac{1}{2}$  years.

Besides these, there were engagements upon other branches of the revenue, which sold at different prices. All were to be set upon a proportional footing. The annuities which sold the dearest, were at 7  $\frac{1}{2}$  years purchase, which were to be paid in 11  $\frac{1}{2}$  years.

Thus, by the Cardinal's scheme, the debts of France, which at this time bore an interest of about 45 millions, were entirely to be paid off, in about 12 years, without any new imposition; and when that was concluded, the lands were to be discharged of 26 millions of yearly *taille*, near two millions sterling, and the King was to have a clear revenue of 53 millions; or about 4 millions of our money, which with the 26 millions taken off the *taille*, make 79 millions; the total amount of the French revenue at that time.

I shall now point out the characteristic differences between the principles upon which the credit of England and France were established, at the two periods of which we have been speaking.

Had two such writers as Davenant and Richlieu been to be met with in the same age, and at a time when England and France were engaged in contracting debts, the contract would have been stronger; but as it is, it suits our purpose. The debts contracted in France from 1708, when credit fell, to the end of the war in 1714, were in consequence of rapine and extortion, as in Richlieu's time: and the operations upon them, after the peace of Utrecht, resemble those of Richlieu in some very material circumstances. Such as, *1mo*, That all the debts were then, by an act of power, put at 4 *per cent.* without any regard to the original stipulations. *2do*, That what the Cardinal despaired of accomplishing, the Regent undertook, and executed, at a great expence to the King, and with great injustice to many individuals.

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He established a commission, called the *visa*, to inquire into the unfunded debts, which amounted to 600 millions. His intention was, to discover the effective sums which had been paid for the grounds of debt. The most favourable classes of these debts consisted in arrears of pay to the army, indemnities for pillage, and the like, constituted by notes issued from the office called the *extraordinaïres des guerres*, which were diminished  $\frac{1}{2}$ ; the second class was diminished  $\frac{1}{3}$ ; the third class  $\frac{1}{4}$ ; and the last of all, sums due to brokers, usurers, &c. were diminished  $\frac{1}{5}$ .

But alas! there was not the least shadow of justice in this operation; because long before the *visa* was established, most of the grounds of those debts had circulated from hand to hand, under the greatest discredit: so that the real sufferers were then beyond the reach of the indemnity offered; and the usurers and brokers who had bought them up, were those who made fortunes by them. The Cardinal's plan of paying at the selling price, would have proved, in this particular case, more rational; and more according to equity, than any other: so greatly do circumstances influence our decisions in all political matters!

By the *visa*, the 600 millions were reduced to 250 millions, and put at 4 per cent. like all the other debts. No plan was proposed at first for paying off the capitals; but a sum was appropriated, though very ill paid, for discharging the interest. We have discussed sufficiently the famous operations of the Mississippi; by which an attempt was made to throw the whole national debt on the company of the Indies; and we have seen how it succeeded.

The distance, therefore, of Richlieu's time, from Davenant's, occasions very little deception in comparing the principles of French and English credit: and when we come to examine the present state of that question, I am afraid we shall find, in France, enough of the old system still remaining, to verify my observation; that the French have the advantage in paying their debts; the English, in contracting them. Where the balance of advantage may lie, will be the subject of more speculation.

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The first essential difference I find between the credit of France and that of England, in the two periods we are considering, relates to the *coin*. In the first, the value of it had been very well preserved: no considerable alteration had been made upon it, from 1602 to 1636, that the Cardinal raised the denomination of the marc of fine silver, from 22 livres to 27 livres 10 sols, as has been said. Whereas from the revolution, until the establishment of the bank in 1695, the *coin* had suffered in England a debasement, from clipping, of near 50 per cent. This circumstance, more than any other, affected the credit of England, and increased the expence of King William's war. In Richlieu's time, circulation and trade had made more progress in France than in England at the time Davenant lived. The revenue left by Henry the Fourth was double to that of England at the revolution: and, in general, the income of the Kings of France had far exceeded that of the Kings of England, for many reigns before that of the great Henry. Borrowing also, upon a fixed and permanent interest, had been known in France so far back as Francis the First.

That Prince was the first, I find, who contracted a regular debt, at perpetual interest, upon the town-house of Paris, at about 8 per cent. when the legal interest in England, under his contemporary Henry the Eighth, was 10 per cent.

The predecessor of Francis, Louis XII. had of gross revenue, charged with his debts, which eat up near one half, above 2,500,000 *l.* sterling. Dutot, Reflex. Pol. Vol. I. p. 204. Francis I. left to his successor in 1546, a gross revenue of 2,685,314 *l.* sterling, and of nett income 2,287,998 *l.* according to Dutot and M. de Sulli.

Under Henry II. and Francis II. the gross revenue stood at about 2,618,000 *l.* sterling.

Under Charles the IXth, I have not been able to discover any thing which can be relied upon: but his successor Henry III. according to Sulli, had, in 1581, a revenue of 3,250,000 *l.* sterling, and left only about 16 millions of livres of debt, which was no great sum.

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To this Henry IV. succeeded; and by the capacity and unwearyed application of his great minister M. de Sully, it was raised to above six millions sterling, at the beginning of the reign of Louis XIII. This revenue, by his wars and expences, was left greatly incumbered; but still the taxes were established which brought it in; and so early in the reign of his successor Louis XIV. as the year 1683, his revenue extended to no less than 9,182,914 *l.* sterling, according to Dutot. Reflex. Pol. Vol. II. p. 256\*.

Let any man, acquainted in the least with the history of England, examine the fixed revenue there, under Henry VII. and VIII. Edward, Mary, and Elizabeth, and their successors, down to the revolution; and they will evidently see the great disproportion of wealth, proceeding from taxes, in the one and the other kingdom.

From these facts I conclude, that debts and taxes in France were much more familiarly known in Richlieu's time, than possibly they could be in England when Davenant wrote.

Public credit had long grown up in that kingdom, under the hard influence of regal power: whereas in this it had sprung up lately, under the protection of liberty, and a most limited authority.

To that cause I ascribe the difference we find between the principles of English and French credit; and to an effect similar to the cause I ascribe the gigantic steps by which Britain has outstripped her powerful rival in the establishment of her credit, since the beginning of this century.

It is folly to prophecy, I know; but I may be allowed to conjecture, that the same causes which have raised the credit of this nation to such an amazing height, will either force the French from their old principles, or they will, some time or other, bury her credit in the dust.

Had one half of the acts of power been exerted with us, which have been so familiar in France: had half the liberties been taken,

\* These sums are all converted into sterling, according to the value of the French livre at the different periods here mentioned.

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in tampering with the claims of creditors; a total bankruptcy would long ere now have been the consequence: but in Britain credit is young; and has been tenderly reared. In France she is old, and has been accustomed for many ages to rougher usage. But example works wonderful effects, especially when nations live together in this great European society; and the advantages of a security to be depended on will every day more and more engage the money'd interest to prefer this to any violent and precarious profits.

How nicely does not Davenant employ political arithmetic, in order to make true estimates of the taxes to be imposed, and appropriated for a term of years, for extinguishing principal and interest? How exactly has not the account between the state and the bank been carried on from 1695, to this day? How faithfully have not all parliamentary engagements been observed? When, in 1749, a most natural operation was performed, to reduce the interest of the debt of Great Britain, by gentle steps, from 4 to 3 *per cent.* what an outcry did it not make, although an alternative was left to the creditors, either to receive an actual reimbursement, or to accept of the new terms? The credit of Great Britain must have appeared to France in the light of a pettish child, educated in the house of a too indulgent parent: her own is not treated with such gentleness; and when our money-jobbers try their hand at Paris, and meet with disappointments from unexpected acts of council; to prevent the laugh going against them, for trusting to the credit of France, they turn it off by a jest, and pretend that they were only playing as at the Groom-Porter's, or in Change-Alley.

In a word, what would totally ruin the credit of England, does not equally affect that of France. An act of power there, no doubt, throws a damp upon it for a time; and if that act of power takes place at a critical juncture, it may cost her very dear; as it has lately cost her the continent of North America; which, I think, was sold for 32 millions, withheld from her creditors, for a short time,

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time, in the end of 1759. But this act of power, and many others since, have not ruined the credit of France; many trust her still; only those who purchase in her funds, at present, take about 2 per cent. off from their interest, as a premium for the insurance of her good faith, until she recovers her mercantile reputation\*.

C. H. A. P. V.

*Of the present state of public Credit in Great Britain.*

WE have, in a preceding chapter, given a general view of the state of public credit in England, at the end of the last century. In this, I shall briefly run through the most remarkable revolutions, both in sentiments and events, which have succeeded since that time.

At the revolution the revenue of England was about two millions sterling, affected by two debts. The first was called the bankers debt, contracted by Charles II. and, by letters patent, charged upon his hereditary excise; to the amount of upwards of 1,300,000 *l*. This debt was reduced to one half, in the last years of King William; and put at 6 per cent. perpetual annuity, to commence from 1706. The other was a debt of 60,000 *l*. due to that Prince's servants, neglected to be paid by his successor, and discharged after the revolution.

At the peace of Ryswick, the national debt amounted to about 20 millions. The branches of taxes subsisting at the revolution, and continued till then, produced no more than about 800,000 *l*.; but

\* Money invested in the French funds, anno 1766, will bring the purchaser 6 per cent. This I consider as 4 per cent. for the interest, and 2 per cent. premium for the risk; and were she now to borrow any considerable sums, I suppose the insurance would rise in proportion.

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by additional taxes laid on in the reign of King William, the whole revenue extended to 3,355,499 *l*. of which above one million was to cease before 1700, as has been said. This reduced the revenue, at the beginning of Queen Anne's reign, to nearly what it had been at the revolution; out of which if we deduct the interest of the national debt then subsisting, and the expence of the civil list, we shall discover the extent of the funds prepared for engaging in the war with France; and then by comparing the state of the nation at her succession, with what it was at her death, we shall form a general notion of the progress of credit, debts and taxes in England, during that period.

The revenue of England at the accession of Queen Anne may be stated at about	£ 2 272 000
The debts subsisting on the 31st of Decem- ber 1701, were	£ 6 748 780
Upon which the annual interest was	566 165
Queen Anne's civil list.*	600 000

Which two sums amounting to 1 166 165. Being deducted from the revenue, there will remain 1 105 835.

What the exact amount of the revenue of England was at the death of the Queen, I cannot justly say. But as it may be comprehended under the three general branches of customs, excises, and other inland duties, we may form a guess at it, though imperfectly I allow, from the number of articles in each.

At her accession, the customs comprehended fifteen articles; at her death, they amounted to thirty-seven; at her accession, the excises comprehended ten articles; at her death, they amounted to twenty-seven; at her accession, the other inland duties comprehended eight articles; at her death, they amounted to sixteen, including

\* The Queen got from parliament 700,000 *l*. for her civil list; but she immediately ordered 100,000 *l*. to be annually paid to the uses of the war.

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the land tax, then become in a manner perpetual, although laid on from year to year.

At her accession, the public debts amounted (as above) to near seven millions, at her death they exceeded fifty millions.

In fourteen years, from the revolution to her accession, the money granted by parliament, partly raised on the subject, and partly borrowed, or taken credit for, according to the custom of the times, amounted to above fifty-five millions. During the 13 years of Queen Anne, the money granted by parliament raised on the subject, or borrowed as above, amounted to upwards of 80 millions.

By this general sketch I do not mean to enter into exact details: facts must be sought for in books which treat of facts; our chief object is to examine the principles upon which the public credit was supported, let the exact sum of money raised be what it will.

The expences of the French war first engaged the nation to revive those taxes which had been suppressed; and to impose many others for a considerable number of years, in proportion to the money borrowed upon them, according to the principles of the former reign.

In 1702, interest was so low, that government got money at 5 per cent. It continued so till 1704, when some loans began to be made at 6 per cent. and at this rate it stood during the war.

But in 1706, the exigencies of government were far greater than what all the money to be borrowed, or raised on the subject, could supply. This opened a door to the abuse of paying the growing deficiencies upon the taxes with exchequer bills, chargeable on distant funds. These fell constantly to great discount; and the unhappy servants of the state, who received them in payment, were obliged to dispose of them to people who could wait for an ufurious reimbursement by parliament.

When those exchequer bills had once got into the hands of the monied people, they had interest with government to engage the bank to circulate them at 6 per cent. interest: but as the funds upon which they were secured happened at that time, 1706, to be engaged

for discharging debts previously contracted; the bank, during that interval, could receive no payment of this interest of 6 per cent. so the expedient fallen upon, was to pay the bank compound interest for all the tallies and bills they were to discount, until the funds appropriated should be relieved.

This expedient, bad as it was, and burdesome to the state in the highest degree, proved of infinite service, both in establishing the credit of exchequer bills, and relieving those who received payment in them.

This operation was quite similar to those of banks of circulation upon mortgage. The bank of England was here employed in converting into money exchequer bills, secured upon the faith of government. Banks upon mortgage convert into money the property of individuals, upon private security. Had, therefore, banks upon mortgage been established in England at this time, all those who had property would have got credits from them, and would have been enabled thereby to pay their taxes, and carry on their industry, without diminishing their consumption. The exchequer would then have had no occasion to issue discredited bills and tallies for making up deficiencies; because taxes would have been productive, and the state would have been relieved of this excessive burden of interest at 6 per cent. accumulated quarterly in favour of the bank. What extraordinary profit must have accrued to the bank by this operation, every one must perceive. They were not here procuring funds to lend at a great expence; all they did was to augment the quantity of their paper upon government security; which they knew well would be suspended in the common circle of payments within the country; and the public borrowings were sufficient to furnish credit for the sums sent out of the country. In this view we may conclude, that almost the whole accumulated interest paid, was pure profit to the bank, and a great augmentation of the national debt.

This operation of the bank in 1706, did not prevent subsequent deficiencies, in the payment of the navy, army, ordnance, and of many

many other articles. In 1710, they amounted to above nine millions sterling. This was too great a sum to be borrowed; and the bank durst not venture to discount more than what domestic circulation could suspend: so that after this great debt had circulated upon the discredited obligations which had been issued for it, and in that way had fallen again into the hands of monied people, at 30 and 40 *per cent.* below par, the new proprietors of it were all incorporated into one great company, with a governor and directors, who got 6 *per cent.* for the whole capital, with an allowance of 8000 *l.* a year for charges of management.

Thus all the real creditors for these deficiencies lost the discount; the monied people gained it, and the public paid for all.

When credit is in this languid state, every expence of government rises in proportion to the discredit of the paper with which they pay, till at last the whole sum, with interest, accumulation, and expence, falls upon the state, as if every farthing of it had been frugally expended in ready money.

This is a general view of the state of credit in Queen Anne's reign.

Government had not, as in the former war, the inconveniencies flowing from the disorder in the coin to combat with. These contributed more than any other circumstance, to raise the capital of the debts at the peace of Ryfwick. Circulation, too, was considerably augmented, in consequence of the increase of taxes, public debts, and the operation of the bank in circulating exchequer bills and tallies. Yet money was still scarce, in comparison of what it might have been, had proper methods been contrived to preserve it upon a level with the occasions for it.

The incorporation, also, of nine millions capital in the hands of a corporation, which afterwards was called the South Sea Company, was an assistance to public credit, by increasing a monied interest, the principal view of which was to fill the government loans, on the lucrative conditions offered for them. And last of all, the strictly adhering to the public faith of engagements, without seeking, by acts of power, to indemnify the state for the losses it had been obliged

obliged to incur, from the circumstances of the times, laid the solid basis of national credit for the future.

Although the many additional taxes added to the former revenue, did not increase it in any proportion to the load laid upon the subject during this war, they served, however, as a good foundation for improvement, as soon as the effects of peace restored them to their full production. But the charges laid upon them having become every year greater, government was obliged to engage certain funds for thirty two years to come, and sometimes longer; and many branches of taxes, which formerly had been granted for short terms, were then made perpetual. After the peace of Utrecht, the expences of the state were greatly diminished, and money began to regorge: so that in the year 1716, the first foundation of the sinking fund was laid, by opening a subscription for paying off about ten or eleven millions sterling, at that time, charged upon several branches of taxes, the produce of which amounted annually to 724 849 *l.* sterling.

The proprietors of these debts were allowed to subscribe into this new fund, at an interest of 5 *per cent.* redeemable by parliament: and in case the whole subscription should not fill at that rate, the bank and South Sea company became bound to make it up, upon receiving a like annuity in proportion to their subscriptions.

The bankers debt, of which we have spoken, the only public debt owing at the revolution, made part of those which were to be subscribed for.

The taxes which had been appropriated for the discharge of those capitals, from temporary, were made perpetual; with a clause added, that when the surplus of the fund, after payment of interest, had discharged the capitals of all the national debt due the 25th of December in that year, the whole produce of the fund itself should remain at the disposal of parliament.

After this first operation in reducing the interest, the bank was satisfied with a reduction to 5 *per cent.* of that paid to them; and

they began to circulate exchequer bills at a more moderate interest than formerly.

Public credit was now daily gaining ground. In 1719, the South Sea company, whose capital was then swelled to eleven millions at 5 per cent. with a sum of 9397 l. sterling for the expence of management, enlarged their views; and finding great profits to arise from such a fund under one administration, formed a project of acquiring a large sum of the public debts, which remained outstanding upon the original funds appropriated for them.

For this purpose they proposed to government to acquire, 1. The property of above 16 millions of redeemable debts, bearing then 4 and 5 per cent. interest; and to reduce the whole to 4 per cent. at midsummer 1727. 2. To acquire a sum of 794 000 l. of annuities upon lives, and for long terms, as they should agree with the proprietors, at 5 per cent. upon the purchase-money, until 1727; and at 4 per cent. afterwards. Annuities were then valued at fourteen and twenty years purchase, according to their length: they rose, however, during the operations of the South Sea, to 25 and 30 years purchase. 3. They were to have a sum added to their former allowance for the charge of management, in proportion to this augmentation of their stock. 4. That for the advantage which might follow upon this agreement with government, they were to pay into the exchequer above seven millions sterling, toward discharging other national debts outstanding. And in the last place, they engaged to circulate a considerable sum of exchequer bills, and to pay the interest of 2 pence per cent. per diem, which should grow upon them during seven years\*.

From

\* After the long and particular account I have given of the Mississippi, I shall not enter into a like detail, concerning a scheme which proceeded upon the very same principles; to wit, the artificial raising the value of a stock, by promising dividends, out of funds which were nowise proportioned to them.

I shall

From the operations we have been describing, we perceive, that the point of view in England, from the peace of Utrecht, has always been, to reduce the interest of the national debt; but never to leave in the hands of the creditors, any part of the savings made, in order to

I shall therefore, in a very few words, compare some of the operations of the South Sea scheme, with those of the Mississippi; and in doing it, point out the principal differences between them.

The great profits upon the Mississippi were expected from the interest paid by government for the great loan, the farms of the revenue, and the profits upon their trade.

Those of the South Sea were, at setting out, 1. The profits upon their trade: 2. The allowance made them: 3. The difference of receiving 5 per cent. for the money they laid out in purchasing the public debts, when money was at 4 per cent. as it was when the scheme was set on foot: and 4. The surplus money subscribed into the stock above par, in consequence of the artifices used to enhance the value of it.

The seven millions they were to pay to the state, seemingly for no value received, were a sort of compensation for receiving the 5 per cent. for 7 years, at a time when money was worth no more than 4 per cent.

These advantages raised, at first, the value of the original stock of eleven millions. The consequence was, that the proprietors of the 16 millions of the redeemable debts, which were to be bought in when they came to subscribe their capitals into the new stock, transacted them at a proportional discount; which discount, being good against the government in favour of the company, served to discharge proportionally the seven millions the company was to pay. This gave an additional value to the stock; and so it rose, greatly indeed above that proportion. Then the company promised a dividend of 10 per cent. for one half year, upon their capital, at midsummer 1720; this dividend was to be paid in stock, which was constantly rising in its value; but no information was ever given the public concerning the funds which were to produce this dividend; so every one concluded that there were hidden treasures in their hands, which enabled them to promise such large dividends. Accordingly, stock rose from 300 per cent. to 375; then to 400, and at last to 1000 per cent.; and in proportion as it rose, the wealth of the former subscribers augmented from the surplus above par, paid by the latter, and those who subscribed last, bore all the loss upon the blowing up of the scheme.

But one great difference between the South Sea and Mississippi, was this: That in France there was abundance of money in the hands of the public, for purchasing the

to diminish the capital. These savings have constantly been thrown into a sinking fund, *supposed* to be intended for extinguishing the capital; and were it employed for that purpose for a few years only, and not diverted to other uses, I am persuaded the consequence would

actions, at the exorbitant price to which they rose; but in England there was not: consequently, in France, the rate of interest fell to 2 *per cent.* and in England, the great demand for money to borrow, raised it beyond all bounds.

Those who subscribed in money, paid down no more than 10 *per cent.* at subscribing; but became bound to pay up the remainder. But when the stock tumbled, people were better pleased to lose the 10 *per cent.* they had paid, than to pay up the remaining 90 *per cent.* according to the terms at subscribing. Those indeed who subscribed their former capitals at a vast discount, did not labour under the same inconvenience of want of money; but that discount became as real a loss to *them*, as the cash subscribed became a loss to the money subscribers, the moment that those who were in the secret, and who, by the most infamous chain of artifices, had blown up the public frenzy, began to realize and fell out, and that the whole was discovered to be a cheat. So that upon the whole, the English scheme had much less foundation than the French. The first blew up from an absolute necessity, and for want of any bottom at all; the last from misconduct, and rather from folly than knavery. I return to an account of the scheme.

The original capital of the South Sea company, was 11 750 000 *l.*: the redeemable debts they were to purchase in, amounted to 16 750 000 *l.*; and the value of the irredeemable, or what were called the *absolute terms*, was computed at 15 058 000 *l.* together 31 808 000 *l.* sterling.

The proprietors of this original capital of 11 750 000 *l.* consulted their own advantage only, in purchasing in this large sum of debts, which were to be converted into additional stock; and therefore founded very high the great advantages of such a transformation of them; *1mo.* From the profits of the trade, which they were to enjoy exclusively. And, *2do.* From the great addition to their wealth, from the constant rising in the price of their stock. They carried their views to nothing less than obtaining a majority in the house of commons, by the weight of their wealth, and of becoming the absolute rulers of the nation.

The public being from the beginning intoxicated with such ideas, subscriptions for stock were opened at 200 *per cent.* above par; and some of the proprietors of the 31 808 000 *l.* subscribed at first their capitals at a proportional discount; that is, they

would be, to reduce interest in England lower than ever perhaps it has been seen in any nation. That interest may be reduced, by making money regorge in the hands of the lenders, is, I think, an uncontroverted principle: that by regorging in France, *anno 1720.* it reduced interest to 2 *per cent.* is a fact indisputable. I shall not pretend to say positively, that the total appropriation of the sinking fund, and an augmentation upon annual grants, to make up the void, would in Great Britain work this effect in a few years; but I think it is very probable that it would: and if the domestic creditors, in any state, where debts, *due to strangers;* are swelled to such a height as to exceed the whole profits made upon trade, shall by

made over a debt of 100 *l.* for 33  $\frac{1}{3}$  in South Sea stock; and successively, the subscription rose to 1000 *per cent.* These immense profits being incorporated into the gains of the general stock, were proportionally shared by the subscribers themselves, who became proprietors; and the higher the stock rose, the more these gains augmented. This influenced the infatuation; and the dividends augmenting in proportion to the price of subscription, there appeared no end of the rising of the stock.

The first dividend offered, as has been said, was 10 *per cent.* half-yearly, in stock: this was afterwards converted into no less than 30 *per cent.* in money, for that half-year: and when stock rose to 1000, a dividend of no less than 50 *per cent. per annum,* in money, was promised for twelve years to come.

Had stock risen to 2000 *per cent.* the dividend could have as easily been carried to 100 *per cent. per annum,* as it had been to 50 *per cent.* when at 1000.

But whence was this dividend to be paid? The company and the directors took good care never to give to the public any light as to that particular.

To prevent, therefore, such abuses in the rising of the South Sea, it ought to have been provided by parliament, that in taking in subscriptions, and offering dividends, the directors should have informed the public, *1mo.* Of the money owing to them by government. *2do.* Of the money gained by the subscriptions above par. And *3tio.* Of the profits upon their trade. And, on the other hand, of the debts due by them; and of the nett balance upon their books, in their favour.

This would have been fair dealing. But to pretend the necessity of secrecy, in a point where a nation is interested, was in itself a mere pretext; and had it been otherwise, it might have been answered, that a company which is obliged to have recourse to such secrets, ought to be prevented from dealing with those who were to remain ignorant of *them,* however deeply interested.

their influence, and from a motive of present advantage, obstruct a scheme of this nature; the consequence will prove, in the first place, to discourage, and then totally to extinguish commerce, and in a little time to occasion an unavoidable bankruptcy; as shall be farther explained in a succeeding chapter. I return to the South Sea company.

The proposal of the South Sea company, mentioned above, was accepted of, and ratified by act of parliament, 6 Geo. I. chap. 4th. But the disaster which befel credit, in consequence of the ambitious views of those who were in the administration of that company, prevented the nation from reaping all the advantages which might have proceeded from it.

The reign of K. George I. though little disturbed by foreign wars, produced not the smallest diminution upon the capital of the public debts; and those which subsisted at the peace of Utrecht, stood, at his death, at 50 354 953 *l.* The same taxes subsisted; and every one almost was by this time made perpetual, except indeed the land tax and malt duty, which to this day continue to be annual grants.

But alas! this apparent revenue, arising from a multitude of taxes, was of no use towards defraying the smallest *extraordinary* expence of government. Every article of it was engaged for debts; and the operations for reducing the interest were calculated only to produce a fund for discharging the capital. The civil list, indeed, that is to say, the expence of civil government, exclusive of army, navy, ordnance, and incidental articles, was paid from the permanent taxes, and considered as a charge upon them. But were not armies and navies then become as regular an expence upon every state in Europe as judges and ambassadors? Undoubtedly they were. Yet after the peace of Utrecht, in laying down the plan which has constantly been followed ever since, for defraying the regular expence of British government, these two great and unavoidable expences were considered as contingent only, and provided for by annual grants: and because armies, in time of peace, in former reigns, had proved dangerous to liberty from  
the

the abuse of power, they were still considered in the same light; at a time when liberty and trade were continually threatened from their armed enemies and rivals abroad.

When the continuance of peace, in the reign of George the First, had produced the effect of reducing interest, on many occasions, to 3 *per cent.* the sinking fund began to gather strength. The land tax, from the year 1722, had not exceeded two shillings in the pound; and the *extraordinary* expence of government, according to the annual grants of the 13 years of his reign, did not exceed 34 800 000 *l.* or 2 670 000 *l.* a year.

Public tranquillity was very little disturbed during the first twelve years of the succeeding reign; and all the *extraordinary* expence did not much exceed three millions *per annum*: yet that expence, small as it was, compared with what it has been since, was almost every year made out, by taking one million at least from the sinking fund; and in the years of the least expence, such as 1731 and 1732, the land tax was reduced to one shilling in the pound, at the expence of taking two millions and a half from the sinking fund.

These steps of administration I neither censure, or approve of. I must suppose every statesman to have good reasons for doing what he does, unless I can discover that his motives are bad. May not the landed interest, who composed the parliament, have insisted upon such a diminution of their load? May not the proprietors of the public debts have insisted on their side, that no money out of the sinking fund should be thrown into their hands, while the bank was making loans upon the land and malt duties at 3 *per cent.*? Might not the people have been averse to an augmentation of taxes? When three such considerable interests concur in a scheme, which in its ultimate, though distant consequences, must end in the notable prejudice of perpetuating the debts, although opportunities offer to diminish them, what can government do? They must submit; and which is worse, they cannot well avow their reasons.

Such

Such combinations must occur, and frequently too, in every state loaded with debts, where the body of the people, the landlords, and the creditors, find an advantage in the non-payment of the national debt. It is for this reason that I imagine, the best way to obviate the bad consequences of so strong an influence in parliament, would be, to appropriate the amount of all sinking funds in such a manner, as to put it out of a nation's power to misapply them; and by this force them either to retrench their extraordinary expences, or to impose taxes for defraying them.

The second period of George II's reign, was from the breaking out of the Spanish war in 1739, to the peace of Aix-la-Chapelle in 1748. During these ten years, (1748 being included) the extraordinary expence was, upon an average, very near seven millions; and at the end of the year 1738, the public debts amounted to 46 661 767 *l.* bearing 1 962 053 *l.* interest.

The first expedient for borrowing money during the war, was to continue the duty on salt for seven years; and to mortgage it at once for 1 200 000 *l.* according to the old plan. To this was added, the expedient of lotteries, and loans upon indeterminate annuities, according to the current value of money.

An additional excise upon spirituous liquors, brought in wherewithal to compensate these additional sums of interest; and the East India company, for lending one million at 3 *per cent.* upon this occasion, had their charter continued from 1766 to 1785. This operation I also consider as an anticipation; and as it was to commence at the distance of 23 years from the time of the grant, could not fail of being very burdensome to the nation, however convenient it might be at that particular time.

Were the India company now, 1766, to purchase the renewal of their charter for 14 years, what a sum might be expected from it! Yet the value given for the grant they then obtained did not exceed 30 000 *l.* because the other annuities of 3 *per cent.* were sold at that time for 97 *l.* or, in the language of the funds, at 3 *l.* premium for every 100 *l.* subscribed; and this so early in the war as 1743.

The

The practice of borrowing upon premiums had taken place in Queen Anne's reign, and has of late years been very common. The credit of Great Britain is so firmly established, that in whatever way government inclines to borrow, the money'd men are willing to lend, provided the loan be made at the then rate of interest.

To avoid therefore the establishment of funds at different rates, in proportion to the fluctuations of money, the bargain is made at one determinate interest. Suppose, for an example, 3 *per cent.* Then, according as it is found to rise above that rate in the market, a premium is paid out of the money subscribed; as in this case 3 *l.* was paid out of the 100 *l.* subscribed; that is, the subscriber retained it, and obtained his 3 *l.* annuity, for the payment of 97 *l.* so this remained a 3 *per cent.* loan, instead of being, as it really was, at 3  $\frac{3}{100}$  *per cent.* and was sold and transferred as every other 3 *per cent.* without occasioning any perplexity.

As the war continued, interest rose, from the demand for money, when the supplies became deficient.

The year following, viz. 1744, this manifested itself, by the conditions offered by government, which were: That, of two millions to be borrowed at 3 *per cent.* as before, upon the whole sum, 1 500 000 *l.* should be formed into perpetual annuities, and the remaining 500 000 *l.* into a lottery, consisting of 50,000 tickets, to be sold at 10 *l.* each. The original subscribers to this loan subscribed therefore 10 *l.* for the ticket, and 30 *l.* for the annuity, in all 40 *l.*; for which they were to receive 3 *per cent.* But the premium consisted in this; that every subscriber for 10 tickets, that is, 400 *l.* of the total fund, had an annuity for life given to him of 4 *l.* 10 *s.*

This made five thousand annuities on lives, of 4 *l.* 10 *s.* each, or 22 500 *l.* a year to be added to the interest of 3 *per cent.* on the two millions, that is, to 60 000 *l.* a year of perpetual annuities. So that the whole loan of two millions this year cost government 82 500 *l.* of interest, or 4  $\frac{1}{4}$  *per cent.*; 22 500 *l.* of which was to extinguish with the lives of the subscribers.

Now, if we suppose these life-annuities worth 20 years purchase \*, this was the same thing as if government had given a deduction of 90 *l.* out of the 400 *l.* subscribed; consequently the remainder, which was 310 *l.* produced 12 *l.* This makes the rate of interest upon the loan to have been 3.87 *per cent.* And as government inclined that the loan should be made in that way, the lenders were willing that it should be so; and the difference between 3.87 *per cent.* (the then rate of money) and 4  $\frac{1}{2}$  interest, which was paid by government, was a sinking fund, as it were, for the gradual extinction of the capital of the lottery for 500,000 *l.* during the lives of the annuitants.

In 1746, perpetual or determinate annuities were constituted at 4 *per cent.* and the premium upon the ten lottery tickets was raised to 9 *l.* life-annuity.

It would be unnecessary to trace the various methods of contriving the premiums given in the succeeding years of this war. The principle upon which they were regulated was always to proportion them to the rate of interest at the time; and the motive was, I suppose, that by this method of borrowing, a part at least of the debt would become extinguished with the lives of the subscribers. There might perhaps be another, to wit, that by swelling the capital, for value not received, there was an appearance of borrowing at a lower rate of interest than what in reality was the case. Thus in 1747, when 6 300 000 *l.* were borrowed, instead of giving not quite 4  $\frac{1}{2}$  *per cent.* for this sum, they gave 4 *per cent.* upon 6 930 000 *l.* which capital, although money should return to 3 *per cent.* was still to stand at its full value; whereas, had 6 300 000 *l.* been borrowed at 4  $\frac{1}{2}$  *per cent.* there would have been a saving of 600 000 *l.* upon the capital; and at the peace, the interest of 4  $\frac{1}{2}$  *per cent.* would equally have come down to 3 *per cent.* with the other funds.

\* This may seem a high valuation, and is, in fact, far beyond what any of those annuities sold for: but as the interest of money cannot be estimated, for a constancy, at more than 3 *per cent.* and that probably the best lives were chosen, the value to government of such annuities may well be estimated at 20 years purchase. By De Moivre's tables, annuities for the most favourable ages, interest being at 3 *per cent.* are valued at 19.87 years purchase; and his valuations are generally allowed not to be too high.

During

During this first war of George the Second, the land-tax was constantly at 4 *s.* in the pound; and new branches of customs, excise, or other inland duties, were created in proportion to the swelling of the national debts, which, on the 31st of December 1748, amounted to 78 293 313 *l.* sterling, bearing 3 005 325 *l.* interest; and the sinking fund, or surplus of all permanent taxes then imposed, after paying the civil list, and the interest upon this capital, amounted to 1 060 948 *l.* sterling. During this war, the debts were increased above what they were at the end of 1738, by 31 631 546 *l.* sterling capital, and by 1 043 272 *l.* of interest or annuities.

The war was no sooner over, and the national expence diminished, than money began to regorge in the hands of the monied interest: an infallible consequence of such a violent revolution, when extraneous circumstances, such as occurred after the peace 1763, do not prevent it.

To profit of this conjuncture, government, early in 1749, proposed that all the public creditors upon capitals bearing 4 *per cent.* interest, redeemable by parliament, and amounting to upwards of 57 millions, who should accept of 3 *per cent.* from December 1757, should have their debts made irredeemable until that time; and in the interval should continue to have 4 *per cent.* till December 1750; and 3  $\frac{1}{2}$  *per cent.* from thence, until the total reduction to 3 *per cent.* in December 1757.

This bold undertaking had the desired effect. Many obstacles were thrown in the way; but the regorging capitals in the hands of many, made every one fear the reimbursement for himself; and the credit of France was then so low, that very few chose its funds as an outlet for their superfluous money.

But an outlet, unfortunately, was not wanting at the end of the last war in 1763, as we shall shew in its proper place.

Here then is a notable instance of the effects of regorging money. A small sum, when compared with a nation's debt, operates upon the whole capital; as a small balance upon trade affects the whole mass of reciprocal payments.

The reimbursement of 57 millions offered by government, in 1749, was, to the conviction of all the world, an impracticable scheme; but the stockholders seeing a large sum ready to be sub-



scribed, at the interest offered; and feeling the effects which that regorging money must, in all events, have produced, willingly, and wisely perhaps, consented to the offer made them. Had they refused, and had the scheme proposed become abortive thereby, perhaps the nation might have been so far animated against the creditors, from the disappointment, as to have consented to be at the expence of defraying the service of the following years, without encroaching upon the sinking fund. What effect this would have produced upon the rate of interest, in that conjuncture, no man can tell, nor will the real consequence of such a measure ever be known; until the happy trial be made. That it would have brought interest below 3 *per cent.* in December 1757, is, I think, evident: for as matters stood, had the creditors of 57 millions been able to hold out, I must do them the justice to believe, they would not have consented to the proposal made to them; and an addition of all the sinking fund thrown among them annually, at a time they could not dispose of what they had, upon better terms than those offered them, would undoubtedly then, as at all times, operate a very great national relief, in bringing down the interest.

During the tranquillity which continued from the peace of Aix-la-Chapelle, in 1748, to the commencement of hostilities in 1755, the money expended for extraordinary services amounted on an average to above four millions *per annum*. The expence of government was then increased, by supporting the colonies; and by several great and uncommon outgoings at home, for purposes mentioned in the supplies of those years.

A little before the breaking out of the last war, that is to say, on the 5th of January 1755, the national funded debt was reduced to 72 289 674 *l.* upon which was paid an annuity of 2 654 500 *l.* and the sinking fund amounted to 1 308 814 *l.*\* At the end of 1763, the year of the peace, the funded debt amounted to 130 586 789 *l.* 10 *s.* besides above 9 millions not provided for. So that at the end of last war the national debt exceeded 140 millions; besides the value of the annuities granted in 1757, 1761, and 1762. Hence it ap-

\* To this funded debt must be added the unfunded debt, which I do not quote exactly; and the value of the annuities granted in 1745, and 1746.

pears,

pears, that the war occasioned an augmentation of upwards of 58 297 116 *l.* upon the funded national debt; besides the difference between the unfunded debts at the beginning and end of the war; and also the value of those annuities\*.

I shall, before I conclude this chapter, present a short scheme of the state of the nation at that time: but first let us take a view of the methods used to borrow so large a sum in the short period of eight years.

Until 1757, money was borrowed by government, at a little above 3 *per cent.* but then a loan of 5 millions being necessary, government consented to create annuities of 4  $\frac{1}{2}$  *per cent.* irredeemable for 24 years. By this expedient the monied people eluded the operation of reducing the interest of this fund, upon the return of peace. How far this expedient was to be preferred to the former, of increasing the capital beyond the money paid; or whether it would not have been still better to have paid for the money wanted, according to the current rate of interest in the market at the time, waiting until a peace might afford a favourable opportunity of reducing it, I shall not take upon me to determine.

I have observed how rash it is for any one to censure acts of administration, when the motives of a statesman's conduct are unknown. This, however, I have sometimes ventured to do, in speaking of things which happened many years ago; but we ought to be more cautious as we come nearer to our own times, because not having, as in this case, a course of experience to point out the errors, we must entirely rely upon our own sagacity, and reason only from analogy.

During the last war, as in that preceding it, taxes were increased in proportion to the interest of the money borrowed; and new impositions were now laid on the articles of great consumption, which produced abundantly. The new malt-duty of 3 *d.* *per* bushel, and the new beer-duty of 3 *s.* *per* barrel, bring in net into the exchequer near 820 000 *l.* *per annum*, and discharge the interest of above 27 millions sterling, at 3 *per cent.* Such a sum raised at the end of a

\* The annuities of 1757, are estimated, by the author of the Considerations on Trade and the Finances, at 472 500 *l.* or at 14 years purchase; and the annuities of 1761, 1762, at 6826 875 *l.* or at 27  $\frac{1}{2}$  years purchase. But this valuation seems too low, for the reasons given in the note, p. 394.

war so very expensive, and at the very time when the credit of France was totally fallen, must have operated in the strongest manner, and did in fact operate more, perhaps, than any other consideration to put an end to that war, the most glorious that Europe has beheld since the beginning of this century, or perhaps in any age whatever: advantageous to Great Britain, notwithstanding all the expence, providing that the consequences happen to correspond to what may be reasonably expected.

I shall now set before my reader a short state of the taxes, debts, and public funds of Great Britain, at this bright period of her history.

From the best authority I have been able to procure, the revenue of the state, considered under the three general branches of customs, excise, and other inland duties, which comprehend the whole permanent income of this kingdom, was then as follows:

Customs net into the exchequer, about	£ 2 000 000
Excise in all its permanent branches net, about	4 600 000
Other inland duties net	1 000 000
Land tax at 4 s. in the pound	2 000 000
Annual malt tax net	613 000
In all	10 213 000

Let us next state the annual charges and appropriations settled upon this fund.

First then the civil list, to the amount of	£ 800 000
2 <sup>do</sup> , The interest of about 131 millions of funded debts at different rates of interest, about	4 500 000
3 <sup>do</sup> , The interest of nine millions not then provided for, supposed to be at 4 per cent.	360 000
In all of regular and permanent annual charge	5 660 000
So there remains free, about	4 553 000
From which if we deduct the annual grants of land and malt-taxes, which extend together, as above, to	2 613 000
There will remain as the produce of the sinking fund*	1 940 000

\* I find that the sinking fund is now estimated at 2 100 000 l. by the author of the Considerations on Trade, &c. above cited. I am also informed that the net produce of the customs exceeds 2 000 000 l. considerably: but 4 600 000 l. is rather the gross

In that state, nearly stood the affairs of Great Britain after the conclusion of the peace in 1763.

It now only remains to offer some conjectures why, after this period, money was not found to regorge, as after the peace of Aix-la-Chapelle, so as to furnish an opportunity of reducing the rate of interest upon all redeemable debts, and by that of raising the amount of the sinking fund, and more firmly establishing the national credit.

After the fall of the credit of France towards the end of 1759, Great Britain had the command of all the money to be lent in Europe; and accordingly amazing sums were borrowed in 1760, 1761, and 1762. Of the sums borrowed, a great part, no doubt, was the property of strangers; but they, not being so well acquainted with the affairs of this nation as the English themselves, instead of subscribing to the loans, lent the money to our own country people, who, in hopes of a great rise upon the return of peace, filled the subscriptions with borrowed money.

The consequence was, that no sooner did the funds begin to rise after the peace, than every creditor demanded his money, of those who had invested it in the public funds. This obliged the latter to bring their stock to market, and this again had naturally the effect of keeping the funds very low. Some, more prudent than the rest, had borrowed upon a long term of repayment; which had the effect of putting off still longer the settlement of the funds in the hands of the real proprietors, and of taking them out of those who only held them nominally.

Besides this accidental cause of the low price of the funds, other circumstances, no doubt, greatly contributed to produce the same effect.

However great the balance of trade, that is, of exportations above importations, may have been of late in favour of England, still the

gross than the net produce of the permanent duties of excise; that is, of all the excise duties, excepting the annual malt-duty. It must also be observed, that the annuities payable to the national creditors, amounted, the 5th January 1764, to more than 4 720 000 l. But on the other hand, the interest of the unfunded 9 millions is rated too high, as appears from the author above quoted. I cannot pretend to give exact details. The general sketch here stated is sufficient for my purpose.

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mighty sums, drawn out by strangers have certainly, upon the whole, prevented much money from coming home on the general or grand balance of payments. While that remains the case, it is impossible money should regorge at home in the hands of the natives, and until this happens, there is no hope of seeing the 3 per cents. above par. But then the rise, small as it is, since the peace, may encourage us to hope that that time is not far off: for had the profits of our trade been quite unable to balance the loss upon our foreign debts, the funds would undoubtedly still continue to fall, which is demonstrably not the case from the circumstances of the loan in April 1766, obtained by government, with the assistance of a lottery indeed, at 3 per cent.\*

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\* The loan of 1766, was 1 500 000 *l.* at 3 per cent. Every subscriber for 100 *l.* had an annuity of 3 per cent. on 60 *l.* and 4 lottery tickets, valued to them by government at 10 *l.* each, in all 100 *l.* The prizes and blanks in the lottery amount to 600 000 *l.* and bear 3 per cent. paid by government. The annuities amount to 900 000 *l.* and bear also 3 per cent. The number of tickets are 60 000. Hence, at 10 *l.* each, they amount to 600 000 *l.*

The advantage government reaps by this way of borrowing, is, that the desire of gaming, raises the lottery tickets above their value, when thrown into the hands of the public; and this advanced value being a profit to those who receive them in part of their subscription, that profit they share with government. Example. In April 1766, when government borrowed 1 500 000 *l.* at 3 per cent. the 3 per cents. were only at 89: consequently, the difference between 89 and 100, which is 11 *l.* must have been supposed to be the sum which the subscribers, from the propensity of people to game, had a reasonable, or rather a certain expectation of gaining upon the sale of 4 lottery tickets, that is, 2 *l.* 15 *s.* upon every one.

To know therefore the real par of a lottery ticket, you must proceed thus: it costs the subscribers 10 *l.* for which they receive from government 3 per cent. This 10 *l.* as 3 per cents. stood at 89, is worth at that rate no more than 8 *l.* 18 *s.* add to this sum what the public must pay for the liberty to play, which we have stated above at 2 *l.* 15 *s.* and you have the exact par of a lottery ticket at 11 *l.* 13 *s.*

Whatever they sell at above 11 *l.* 13 *s.* is profit to the subscribers, whatever they sell below 11 *l.* 13 *s.* is a loss to them.

This profit, though small in appearance, is greatly increased from another circumstance, viz.

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Here then was an outlet provided for more money than all that could regorge at home, viz. the payment of those foreign creditors, to whom the stock-holders were indebted. Besides this, the sale by government, of such tracts of land in the new acquired islands in the West Indies, provided another; money was even placed in the funds of France soon after the peace, until the adventurers were checked by the operations of the King's council, in reducing both capitals and interest upon them, contrary to the original stipulations with the creditors. A lucky circumstance for Great Britain, as it forces, in a manner, all the money of the continent into the English funds, which equally remain a debt upon the nation, whether high or low in the market.

That the subscribers may sell their subscriptions at a time when they have really advanced but a small part of it. The first payment is commonly of 15 per cent. on their subscription: when they sell, they make this profit upon the whole capital. Suppose then 15 per cent. paid in: if the profit upon selling be no more than 1 per cent. upon the capital; that 1 per cent. turns out no less than 6  $\frac{2}{3}$  per cent. upon the money they have advanced. Thus a person who is possessed of 1500 *l.* only, may subscribe for 10 000 *l.* in this loan: he pays in his 1500 *l.* and receives his subscription; when he sells, he sells 10 000 *l.* subscription, upon which he gains 1 per cent.: 1 per cent. of 10 000 *l.* is 100 *l.* so (in one month suppose) he gains by this means 100 *l.* for the use of 1500 *l.* But as a counterbalance for this profit, he runs the risk of the falling of the subscription, which involves him in a proportional loss if he sells out; or in the inconvenience of advancing more money than he had to employ in that way, in case he should prefer keeping his subscription for a longer time, in hopes of a rise in the public funds. By this mode of borrowing, government profits by the disposition of the people to game. But this propensity has its bounds, and at present it is found by experience not to exceed 60 000 lottery tickets, or 600 000 *l.* Were, therefore, a subscription of 3 millions taken in upon the same plan with the present of 1 500 000 *l.* the regorging number of tickets would so glut the market, that the whole would fall below the par of their supposed value.

## C H A P. VI.

*State of the public Credit in France, their Debts, Funds, and Appropriations, at the Peace 1763.*

WERE it as easy to get information of the political state of France as of Britain, one might attempt to give such a sketch of their affairs as we have now done of the other; but when we consider the lame accounts given by French authors who have made researches of that kind their particular study, it would be inconsiderate in a stranger ever to undertake a task so difficult.

In France, the finances are considered as a political arcanum, of great consequence to the state to conceal from vulgar eyes. It is not long ago, since the farmers of the greatest part of the revenue used regularly to burn their books at the end of the year, to prevent the King's servants from knowing the state of the most essential part of his affairs. Cardinal de Fleuri abolished this custom, and obliged them to lay every thing open to his eyes.

I shall now endeavour to communicate, in as short and distinct a manner as I can, an idea of the present state of the French revenue; of the taxes from which it proceeds; of the manner they are administered; of the purposes to which they are appropriated; and of the state of the King's debts at the end of the last war.

From this view we shall form a general notion of their public expences; of their public debts; and of what is most material, of the resources of that kingdom in time to come.

For this purpose, I shall divide the whole revenue of France, that is, all that is raised on the people, to whatever purpose it may be applied, into five branches; and after having first explained the nature of each, I shall give a general detail of them in their order.

The first branch is what is called the King's ordinary revenue. This is composed of about twelve articles of permanent taxes, sup-

posed to be sufficient for defraying the whole expence of government, civil and military, in time of peace.

The second is composed of all the extraordinary impositions which were laid upon the people, in consequence of debts contracted in the former war, ended in 1748.

The third, what was imposed during the last war, for the service of the state, and for paying off the debts then contracted.

The debts of France, contracted in periods anterior to those two wars, are charged on the ordinary revenue, as we shall presently see.

The fourth branch consists of two articles. The first comprehends certain perpetual taxes appropriated for certain state expences, not charged upon the ordinary revenue. The second, what is computed to be the expence of levying all the taxes, and also the profit of the farmers: or in other words, what the people pay more than the public receives from the hands of the tax-gatherers.

The fifth and last branch, comprehends the taxes paid to the court of Rome, to the clergy, and to the poor; with other duties belonging to private persons. Under one or other of these five branches, may be very properly arranged all the taxes paid by the French nation.

## First general branch.

The King's ordinary revenue, with the charges upon it for the year 1761.

Articles of revenue.	Fr. money. livres.	Sterling ditto. l. s. d.
1. Domain (the King's landed estate)	6 000 000	266 666 13 4
2. Taille (the land-tax)	56 600 000	2 515 555 11 1½
3. Double capitation (the poll-tax)	53 200 000	2 364 444 8 10½
4. Ditto upon such as have civil employments, pensions, &c.	6 700 000	297 777 15 6½
5. 2 s. in the pound on all civil employments.	6 800 000	302 222 4 5½
Carry over	129 300 000	5 746 666 13 3½

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	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	129 300 000	5 746 666 13 3½
6. The mint, or coinage	2 400 000	106 666 13 4
7. Decimes and capitation of the clergy	12 400 000	551 111 2 2½
8. Free gifts from the states of Burgundy, Provence, Languedoc, and Brittany	10 000 000	444 444 8 10½
9. Paulette, or annual tax upon hereditary offices	2 600 000	115 555 11 1½
10. Tax on the Lutheran clergy of Alface	200 000	8 888 17 9½
11. Regale, or the sovereign's right on ecclesiastical benefices	1 400 000	62 222 4 5½
12. General farms	112 500 000	5 000 000 — —
<b>Total of the ordinary revenue</b>	<b>270 800 000</b>	<b>12 035 555 11 *1½</b>
Of this total the general farms	livres. l. s. d.	
amount to	112 500 000 5 000 000 — —	
And the other branches to	158 300 000 7 035 555 11 1½	
The farms were increased <i>anno</i> 1762 by	11 500 000	511 111 2 2½
<b>Total ordinary revenue at the end of the war</b>	<b>282 300 000</b>	<b>12 546 666 13 4</b>
<b>Articles of Expence.</b>		
Household of the King and royal family	9 400 000	417 777 15 6½
Ditto, their personal expence	4 600 000	204 444 8 10½
Carry over	14 000 000	622 222 4 5

\* These reductions of French money to sterling, are computed at the rate of 22½ livres to the pound sterling. Hence 270 800 000 livres make 12 035 555 l. 11 s. and 1½ d. sterling, or nearly 1½ d. as stated, though the amount of the partial sums differs by 1 d.

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	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	14 000 000	622 222 4 5
King's stables and stud	2 500 000	111 111 2 2½
Hunting equipages	1 600 000	71 111 2 2½
Alms	600 000	26 666 13 4
Pay of the palace guards, ( <i>gardes de la porte</i> ) &c.	3 300 000	146 666 13 4
King's buildings	6 600 000	293 333 6 8
<b>Total expence of the court</b>	<b>28 600 000</b>	<b>1 271 111 2 2</b>
Pay of all the household troops	8 000 000	355 555 11 1½
Pay of all the other troops of France	48 000 000	2 133 333 6 8
Fortifications	6 000 000	266 666 13 4
Artillery for land service	6 600 000	293 333 6 8
Military gratifications, over and above the pay	10 000 000	444 444 8 10½
Pay of general officers commanding in provinces and fortresses	2 000 000	88 888 17 9½
Pay, &c. of the <i>marechausée</i>	2 200 000	97 777 15 6½
Expence of prisoners of state	1 200 000	53 333 6 8
Ordinary expence of the navy	25 000 000	1 111 111 2 2½
<b>Total regular military expence by land and sea</b>	<b>109 000 000</b>	<b>4 844 444 8 10</b>
Royal pensions	9 000 000	400 000 — —
The appointments of the King's ministers	310 000	13 777 15 6½
Carry over	9 310 000	413 777 15 6½

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	9 310 000	413 777 15 6½
Ditto of the first presidents of all the parliaments in France, expence of criminal prosecutions, and many other articles of that fort	22 000 000	977 777 15 6½
Appointments of the venal employments, of the robe, treasurers, receivers, comptrollers, &c.	10 000 000	444 444 8 10½
Bridges, highways, dykes, &c.	4 000 000	177 777 15 6½
For the royal academics	1 400 000	62 222 4 5½
To the King's library	1 800 000	80 000 — —
Extraordinary and casual expence upon the two last articles	400 000	17 777 15 6½
For lighting and cleaning the city of Paris	840 000	37 333 6 8
Appointments of the secretary of the cabinet council, for couriers, and other expence	1 400 000	62 222 4 5½
Ditto of ministers at foreign courts	1 800 000	80 000 — —
<b>Total sum of this branch</b>	<b>52 950 000</b>	<b>2 353 333 6 8</b>
Interest at 2½ per cent. upon 990 000 000 livres, or 44 000 000 l. sterl. of the late King's debts, constituted after the bankruptcy 1720	24 750 000	1 100 000 — —
Interest at 2½, upon 94 millions due to the company of the Indies, upon their old accompts 1720	2 350 000	104 444 8 10½
Carry over	27 100 000	1 204 444 8 10½

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	27 100 000	1 204 444 8 10½
Farther allowed to the company, for paying their dividends	2 400 000	106 666 13 4
Annuities on lives constituted during the last war	16 000 000	711 111 2 2½
<b>Total interest of debts</b>	<b>45 500 000</b>	<b>2 022 222 4 5</b>

This article of 16 millions of annuities on lives is the only charge cast upon the King's ordinary revenue, in consequence of the last war.

	Fr. money. livres.	Sterling ditto. l. s. d.
Recapitulation of the expences.		
Expence of the court	28 600 000	1 271 111 2 2½
Fixed military ditto, by sea and land	109 000 000	4 844 444 8 10½
Justice, pensions, &c.	52 950 000	2 353 333 6 8
Interest of debts	45 500 000	2 022 222 4 5½
<b>Total expence</b>	<b>236 050 000</b>	<b>10 491 111 2 2½</b>
<b>Total ordinary revenue at the end of the war</b>	<b>282 300 000</b>	<b>12 546 666 13 4</b>
The first deducted from the latter, Remains free	46 250 000	2 055 555 11 1½

Besides the articles of expence here stated, there are many others, to which no limit can be set. The *comptant*, or the King's private orders for secret service, and many different expences, form a great article. Subsidies also to foreign courts: in short, much more, in all human probability, is spent, than all the produce of this permanent revenue can answer. So that from this no relief

from debts can be expected, except so far as it may be augmented by the falling in of the annuities on lives. But public debts are to be paid only by funds appropriated for that purpose: and were this revenue to be relieved of the whole 45 millions of interest charged upon it, I have little doubt but the King's expence would augment in proportion.

I shall delay making any observation upon the nature of the impositions which produce this revenue, until we come to the subject of taxes, to which it naturally belongs.

Besides this ordinary revenue of the Kings of France, which (if we except 26 600 000 livres, or 1 182 222 l. 4 s. 5  $\frac{1}{2}$  d. upon the capitation, added on account of the war only for a time) may be considered as their civil list; there are other branches of revenue, which are to be looked on as extraordinary supplies, imposed for raising money in time of war, and for paying off the debts contracted, upon the return of peace. Of this nature are *dixiemes* and *vingtiemes*; taxes very contrary to the spirit of the French nation, and to which they never have submitted without the greatest reluctance, and only on very urgent occasions.

The credit of France fell very low towards the end of the former war, which began in 1744, and ended in 1748. The parliament registered with great unwillingness every edict imposing new burthens. The *dixieme* was a great augmentation of revenue, for the time it lasted; but being an imposition which the Kings of France never have been able to make perpetual, it could not be pledged for such large sums as are required in time of war, and which no nation, however wealthy, can furnish annually, as they are demanded.

To supply, therefore, the want of a fund to be mortgaged, and consequently the want of public credit, the King's banker M. de Monmartel, with other men in business, joined their credit, and supplied the King's extraordinary occasions. They opened a sort of bank *anno* 1745, where they received money at  $\frac{1}{2}$  per cent. per month, the principal payable on demand. This fund gained credit; payments being regularly made as soon as demanded.

Upon settling accounts after the peace, *anno* 1748, the King was found indebted to this bank for a vast sum of money. In order to pay it, lotteries were set on foot. The tickets were given to the bankers, and they by the sale of them withdrew their own paper, which was circulating with very good credit on the exchange of Paris. In order to furnish a fund for this lottery, the King had interest with the parliament to get a twentieth penny established, or one shilling in the pound, upon all the revenues of private people in France, except the clergy, and some hospitals. The same was charged upon the industry of all corporations of trades and merchants; and to these was added a capitation upon the Jews.

This was thrown into what they call the *caisse d'amortissement*, or sinking fund; and appropriated for paying off the lotteries, and some of the antient debts which were to be drawn, for this purpose, by lot; and for other extraordinary expences incurred in consequence of the war. This tax was to subsist, I believe, till 1767. It was this *caisse d'amortissement* which was shut up in 1759, by which step a mortal blow was given to French credit.

Besides this first twentieth penny, there were five other taxes imposed, and appropriated during a determinate number of years, not exceeding 15 in some, 12 in others, for paying off the debts contracted in the war ended 1748, and for some extraordinary expences of government.

These shall be specified in the following general view of this branch of the French revenue.

## Second general branch.

Extraordinary taxes established after the peace of Aix-la-Chapelle, with their appropriations.

	Fr. money. livres.	Sterling ditto. l. s. d.
The first twentieth penny on all income - - - - -	23 800 000	1 057 777 15 6 $\frac{1}{2}$
Ditto upon tradesmen and merchants incorporated - - -	6 500 000	288 888 17 9 $\frac{1}{2}$
Ditto upon the Jews - - - -	1 400 000	62 222 4 5 $\frac{1}{2}$
Total of the twentieth penny, which formed a sinking fund, shut up in 1759 - - - - -	31 700 000	1 408 888 17 9 $\frac{1}{2}$
The farm of the posts and <i>relais</i> of France - - - - -	6 000 000	266 666 13 4
Two shillings in the pound of the capitation added to it - - -	5 520 000	245 333 6 8
The farm of stamp-duties on leather, and duties on tanners bark - - - - -	2 960 000	131 555 11 1 $\frac{1}{2}$
The farm of duties upon gun-powder and saltpetre - - - -	2 988 000	132 800 - -
Two shillings in the pound of the twentieth penny added - - - -	3 170 000	140 888 17 9 $\frac{1}{2}$
Total of this second branch of French taxes - - - - -	52 338 000	2 326 133 6 8

Appropriations of this fund, as follows:

1. For paying, during 10 years, a part of the 990 millions, of

livres,

	Fr. money. livres.	Sterling ditto. l. s. d.
livres, of old Annuities, charged above on the King's ordinary revenue, and bearing an interest of 2 $\frac{1}{2}$ per cent. the yearly sum of - - - - -	5 000 000	222 222 4 5 $\frac{1}{2}$
2. To the India Company, in discharge of a debt due to them: for 12 years - - - - -	2 000 000	88 888 17 9 $\frac{1}{2}$
3. For paying the prizes of the bankers lotteries every year as they are drawn: for 12 years - - - - -	3 800 000	168 888 17 9 $\frac{1}{2}$
4. Towards making good deficiencies upon the funds appropriated for the war, yearly, till paid - - - - -	18 700 000	831 111 2 2 $\frac{1}{2}$
5. Ditto upon the funds appropriated to the new <i>Ecole militaire</i> - - - - -	1 200 000	53 333 6 8
6. For payment of perpetual annuities created during last war - - - - -	14 500 000	644 444 8 10 $\frac{1}{2}$
7. For making good deficiencies upon the artillery and magazines, during the war 1762: for 12 years, the annual sum of - - - - -	1 800 000	80 000 - -
8. Ditto upon the article of foreign affairs - - - - -	8 690 000	386 222 4 5 $\frac{1}{2}$
Total appropriation - - - - -	55 690 000	2 475 111 2 2 $\frac{1}{2}$

This branch of revenue appears, by this state, to be totally appropriated to certain purposes.

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Were appropriations adhered to in France, and could one be certain that debts are actually discharged, at the period appointed, in consequence of the appropriation for that purpose, we might form a better judgment of the *actual* amount of the debts of France, than in fact any man can do who is not in the administration.

Of this second branch of taxes I consider the twentieth penny, the two shillings in the pound augmentation upon it, and a like augmentation upon the double capitation; amounting in all to above 40 millions a year, as a resource which France may have at all times, in cases of necessity; although I do not suppose it will be possible to establish them as a fixed revenue. They will, probably, however, as matters stand, be continued, either in whole or in part, until the great load of debts, recently contracted, shall be considerably diminished.

As for the remaining sum, arising from the posts, leather, and salt-petre, these I consider as perpetual; because by their nature they are not burdensome to the people.

We are not to understand that the annual sum of five millions of livres, appropriated for paying off the capital of 990 millions of the old annuities, bearing  $2\frac{1}{2}$  per cent. stated in art. 1st, was intended to be applied to these capitals, at the rate they stand. In France it is supposed that he who gets 20 years purchase of the interest of his debt, is always fairly paid off; and people there are so fond of reimbursements, even at this rate of making them, that when, about the year 1755, a like scheme of paying off those old annuities was suggested, it was upon condition that every one having, for instance, an annuity of 100 livres, should, in order to be intitled to this reimbursement, pay to the King 20 years purchase of it, or 2000 livres ready money; and that being complied with, his contract was to be put into the lottery wheel, with all the rest subscribed for, and if it happened to be drawn, he was to receive 4000 livres; to wit, the 2000 he had paid down, and the other 2000 as the value of a capital of 4000 livres, at  $2\frac{1}{2}$  per cent.

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This every body must allow procures a wonderful facility in paying off debts. If the English creditors could be engaged to enter into the spirit of such reimbursements, government, I am persuaded, would not apply so closely as they do, to reduce the interest upon them; whereby a great distress comes upon poor widows and orphans, who have their all vested in the funds. This inconvenience is avoided in France: the poor are cherished by the comfort of high interest; the state is set free; and the creditors rejoice in getting back their money, in any shape whatever.

The war of 1756 breaking out, obliged the King to think of every expedient to increase his income. Had he set out by borrowing upon annuities for lives, at 10 per cent. and by mortgaging his ordinary revenue for the payment of them, his credit would have been more solid, and the plan of running in debt more systematical: but in the end, it would have involved him in the terrible dilemma of either making a bankruptcy, in order to reinstate himself in the possession of his ordinary revenue, or of making him depend more than he inclined upon his parliament; whose authority is absolutely necessary for laying a perpetual and regular imposition, which alone can form a solid basis of national credit.

He was therefore resolved, in one way or other, to increase the impositions on the people in the time of war, in order to avoid the consequences he foresaw from the loss of his fixed revenue.

The King's ministers at this time could not convince the parliament of Paris, that in order to borrow money upon the best terms, it was necessary to have a sure fund for paying the interest of it.

It had been usual to borrow money, on pressing occasions, from the farmers of the revenue, bankers, and financiers, as they are called, at 7 and even 10 per cent. They understanding the chain of the affairs of France, used to obtain credit both abroad and at home, from people who would not lend directly to the King; although they knew at the time of the loan that the money was borrowed

borrowed for his use. The reason was, that the King was under an absolute necessity to keep faith with this set of men; upon whom the credit of France has depended for many ages: and as the profits they used to make were very great, ministers knew, by a sort of instinct, when they had gained enough; and in clearing their accounts in the usual way, a sufficiency was left to them, to repay what they had borrowed from others.

Perhaps the parliament thought, and perhaps with reason, that in the main it was cheaper to borrow in this way, at 10 *per cent.* than in the English way, at 3 *per cent.* because of the great facility in paying off the debts which attended it; but this is only a conjecture. That there was however a contrast of sentiments between the parliament, and the minister of the finances at that time, who had contracted English ideas of credit, is most undoubted; and it was this contrast which brought on the bankruptcy in 1759, when the sinking fund was shut up against the creditors by an act of power. To judge of the sentiments of both parties with candour, let us then examine the plan of borrowing proposed by the one, and by the other.

The minister, M. de Silhouette, proposed to the King, to levy, as a solid fund of credit to borrow upon, a general subvention, as it was called, over all France; or in other words, to make the repartition of a large annual payment, over all the cities, towns, villages, and suburbs in France.

This was to be divided according to the supposed wealth and quantity of circulation every where. Every district was ordered to report to the King's council their opinion concerning the particular mode of raising their proportional part of it, in the best way relative to their situation. This report the council was to examine, and to approve or amend the proposal given in, according to information.

This was perhaps the best plan of taxation, if properly executed, that ever has been thought of, for a nation already under a regular

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administration of government; and accustomed to pay considerable impositions.

It removes the inconvenience attending all general taxes, which never fail to affect unequally different places and districts. It admits of a prudent mixture of excises, with taxes upon possessions, according to the internal circumstances of every place. It confines them to towns, where alone all excises at least can be levied with propriety. It lightens the oppression of tax-gatherers; because the corporation may employ whom they will for that purpose. In a word, it is a tax administered with all the advantages of a farm.

This tax, the general subvention, after it had been imposed by edict, registered in a Bed of justice September 1759, fell to the ground, from the nature of the French constitution; because it could not be levied without a systematic administration, supported by the authority of the courts of law, to which the parliament would not give their concurrence, for a very plain reason.

The general subvention being very extensive, and calculated for a fund of credit to borrow upon, was, by its nature, of a species proper to become a perpetual tax, as all excises are. The parliament of Paris seemed to think it agreeable to the constitution, which they are sworn to maintain, to preserve at all times in their hands a certain power over the King's purse, in order to prevent an extravagant minister from impoverishing the King and the kingdom at once, or running them into the inextricable confusion of an infallible bankruptcy.

This circumspection of the parliament was represented in another light at court; and odious parallels were drawn between what had happened in England about the middle of the last century, and what soon might be expected in France.

Upon such topics every one judges as he is affected. The minister was railed at by the parliament-party, in the most virulent manner. Who was in the right, and who was in the wrong, upon the general question, of the propriety of raising so large an imposition, to serve as a fund of credit, under a government like that

of

of France, I shall not here examine. But that a solid fund should be provided, in one way or other, proportional to the actual deficiency of the annual supplies, and to what could not be raised within the year, for the uses of the war, was, I think, entirely agreeable to principles.

This the minister had proposed in the subvention, though perhaps the plan was too great; and the parliament, when they rejected the proposal, sensible that the exigencies of the state demanded a supply of money, proposed in their turn, as an equivalent for the general subvention, to coin for 600 millions of notes, which were to have the sanction of parliament for their fund of payment; but no provision was made for the ready circulation of them in the interim.

Here then is an example where the sentiments of the French nation were divided upon the principles of public credit. And this affords a good opportunity of reconciling them, and of confirming the doctrine we have been endeavouring to establish.

The minister felt the disadvantage of the King's borrowing upon a lame security; he therefore proposed a solid and permanent fund of credit for performing the obligations to be contracted with the creditors.

The parliament, on the other hand, examined the situation of the people, who, they thought, were no longer in a capacity to pay the taxes already imposed; and therefore concluded, that it was unnecessary to establish any new one. They therefore proposed to augment circulation, by providing a means whereby alienations might be carried on, and by that they expected to render the taxes already imposed more productive.

Both parties were in the right, as commonly is the case in such disputes; but they did not perceive how their opinions could be reconciled.

Had circulation been facilitated by the establishment of a bank upon true principles, perhaps the taxes already imposed, might have produced a sufficient fund for carrying on the war, without the expedient of the general subvention.

But the manner proposed by the parliament to increase circulation, by paying with paper money, and not providing a fund for realizing it when it came to stagnate, was an expedient entirely delusive. The paper would soon have fallen to a great discount: the remembrance of the Mississippi would probably have been revived, which would have occasioned the locking up of the coin; and the kingdom might have been involved in the greatest distress and bankruptcy. The minister should therefore have concurred with the parliament in a scheme for establishing a bank: the King might safely have entrusted the administration of it to parliament, and even have supplied coin from the royal treasury for circulating the paper. But the minister, I suppose, took it for granted, that taxes *would* be paid, providing they were imposed; and the parliament, that the paper *would* circulate, providing it was issued.

The reasonings I have ascribed to each party in this dispute, are not founded upon information: they are only natural conjectures which I form from the opposition of sentiments between men who were all, I suppose, well acquainted with the situation of France, and who respectively took part according to the combinations which occurred to them.

The remonstrances of the parliament at that time were filled with an enumeration of distresses, all of which are the necessary effects of a scanty circulation. In the King's edicts there is strong reasoning upon the principles of public credit. The candour I feel in my breast, while I examine the merits of this important dispute, will I hope serve as an apology for all mistakes in point of exact information.

The result upon the whole was what might have been expected. The subvention was dropt, and the proposal of the paper was rejected by the King.

The middle term adopted by the parties, shewed however, I think, that in the main the minister had been in the right; because the taxes were increased and paid: had the paper been issued, the success, I am persuaded, would not have been favourable in proportion.

But instead of a permanent subvention, a tax of the most odious nature was established, which, from this very circumstance, there was little danger of seeing long continued.

In the preceeding year, a second twentieth penny upon possessions had been imposed, to which had been added 2 shillings in the pound of the tax itself; a new poll-tax upon certain classes of the people in proportion to the number of their servants; an additional duty upon the stamps upon silver and gold plate; higher duties on foreign manufactures imported; and 20 *per cent.* on all former duties on consumption. The second twentieth was to continue until two years after the peace; the other duties for eight years longer.

Notwithstanding this heavy load already laid upon property, the parliament, rather than consent to the subvention, agreed to impose a third twentieth penny upon possessions; and to render this tax more productive, additional poll-taxes upon place-men, &c. were comprehended in that edict. Thus ended the dispute: the minister was dismissed, and the edict for the general subvention was withdrawn.

Besides the second and third twentieth penny, several augmentations of revenue were obtained during the last war, which I shall presently mention, two of which, for their peculiarity, I shall briefly explain.

The clergy of France, strongly pressed by the King, supported by his parliaments, to give in a declaration of their income, in order to be taxed at so many shillings in the pound, like other subjects, after many evasions, at last succeeded in disappointing the scheme. They offered an extraordinary free gift equivalent to the two twentieths, to be paid annually until 1765, and this was accepted.

The ordinary free gift of the clergy is at the rate of a million and a half of livres a year; this they doubled and paid at the rate of three millions a year, which we may consider as two shillings in the pound of all the clergy possess in France, which makes their revenue to be about thirty millions a year, and I believe it does not far exceed it.

The

The other branch of revenue is something analogous to a circumstance in the history of English taxes: it was called an extraordinary free gift to be paid by every corporation in France. Charles I. had a very exact valuation put upon all England, when he proposed to levy ship-money. This was found so correct that it served for a basis to regulate the distribution of the sum of 100 000 *l.* a year paid to Charles II. for his courts of wards and liveries\*.

In like manner the King of France had a very accurate estimate made of all France, when he formed his edict for a general subvention, which had pretty much the fate of the ship-money. And though the parliament refused their consent to the great subvention, they agreed to establish the epitome of it in August 1759: which see in the note †.

\* Davenant's Ways and Means, Article of Monthly Assessments.

† This free gift was imposed upon all cities, towns, burroughs, villages, and suburbs, in France. And those lying within the jurisdiction of every Intendant were joined in one sum, leaving the repartition of them to those magistrates, as the custom is.

For the generality of Amiens	- - - -	153 300
For the generality of Orleans	- - - -	356 000
For the generality of Paris	- - - -	1 578 000
For the generality of Chalons	- - - -	200 900
For the generality of Poitiers	- - - -	265 200
For the generality of Soissons	- - - -	60 700
For the generality of Tours	- - - -	34 434
For the generality of Rochelle	- - - -	131 800
For the generality of Bourges	- - - -	105 600
For the generality of Moulin	- - - -	91 770
For the generality of Riom	- - - -	165 628
For the generality of Lyons	- - - -	397 454
For the generality of Artois	- - - -	150 000
Sum total	- - - -	3 690 786
		Sterling.
		£ 164 034 18 s

The duties imposed by this arret are to be levied upon all classes of the people, nobility, commons, clergy, even nuns and monks; no exception is made except in favour of hospitals for their own consumption only.

H h h 2

This

This tax, small as it is, may be of infinite consequence in times to come. The great difficulty of raising taxes is in the beginning; and if the levying of this trifle in every city, town, village, and suburb, in France, be carefully conducted, with a view to subsequent augmentations, and if it be properly distributed upon every branch of consumption and revenue, nothing will be so easy to the King as, by his own private authority, to enforce a gradual augmentation of it, and perhaps in time to absorb in it, the whole, or at least the greatest part of the revenue of his kingdom.

Besides the two twentieths, and the free gift of the cities, several other taxes of less moment were either imposed, renewed, or continued for a longer term, and then sold for raising money for the service of the year, viz.

1<sup>mo</sup>, Five years of the free gift of the clergy of France, amounting to 15 millions, were paid down at once by that body.

2<sup>do</sup>, That of the clergy of Alsace, paid in the same way, for the same term, produced 3 millions.

3<sup>io</sup>, A duty on firewood, &c. in the city of Paris, valued at 3 400 000 a year, sold for 7 years, for 10 millions.

4<sup>to</sup>, Another duty upon the consumption of eggs, butter, &c. valued at 2 400 000, sold for 15 years for above 30 millions.

5<sup>to</sup>, A like sum got from the farmers general, for allowing them to raise the price of their tobacco 10 per cent. for 10 years. The annual amount of this I do not know.

6<sup>to</sup>, And in the last place, the third twentieth penny, which produced 36 270 000 a year, was sold for the two years for which it was imposed, for 60 millions.

Thus, of all the impositions raised during the last war, the second twentieth, and an epitome of the subvention raised in all cities, towns, villages, and suburbs, in France, remain unalienated.

In order to throw all the light I possibly can upon the present state of that nation, I shall next briefly recapitulate the extent of the annual supplies raised for the service of the different years of the war, from 1756 to 1762 inclusive; in which I shall point out,

as well as I can, how this third branch of revenue was appropriated.

It is in this manner only I can communicate to the reader what I can guess concerning the present state of that nation. Could we know, as with us, the amount of taxes, and outstanding debts at every period, that detail would be unnecessary.

The extraordinary grants of 1756, amounted to 121 millions, 5 377 777 l. sterling.

In October 1755, the farms of almost all the taxes were renewed. Upon such occasions, it is usual for the farmers to advance sums in proportion to the extent of their farms, for security of the lease; for which advances the King, at that time, allowed them an interest out of their yearly farm-rent of 5 per cent. and the sums advanced were appropriated for the service of the year 1756. Here follow the sums advanced upon the several farms.

	Fr. money. livres.	Sterling ditto. l. s. d.
1. Upon the general farms, after repaying what had been advanced upon the former lease, nett into the royal treasure	40 000 000	1 777 777 15 6 $\frac{1}{2}$
2. Upon the farms of the posts of France	3 000 000	133 333 6 8
3. Upon the farm of the stamps upon leather	1 000 000	44 444 8 10 $\frac{1}{2}$
4. Upon the farm of the <i>paulette</i>	1 000 000	44 444 8 10 $\frac{1}{2}$
5. Upon the farm of duties on gun-powder and salt-petre	1 000 000	44 444 8 10 $\frac{1}{2}$
6. The farm of the market of Poissi was sold for seven years; for	15 000 000	666 666 13 4
This sum was the price of the total alienation of the duties col-		
Carry over	61 000 000	2 711 111 2 2

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	61 000 000	2 711 111 2 2
lected in that market for the whole time; which duties should be marked as a branch of revenue; but as the annual amount of them cannot be ascertained, it is here thrown in as an extraordinary means of supply arising from the sale of a tax.		
7. Besides those casual supplies from the new farms, there was levied this year, for the sale of five years revenue of the free gift of the clergy of France, to 1761 exclusive	15 000 000	666 666 13 4
8. And for that of Alface	3 000 000	133 333 6 8
9. Raised by a lottery, for which the annual sum of 3 800 000 was set apart for 11 years	32 000 000	1 422 222 4 5 $\frac{1}{2}$
10. And for the sale of the duties upon firewood, &c. in Paris, for 7 years	10 000 000	444 444 8 10 $\frac{1}{2}$
Total extraordinary supplies for 1756	121 000 000	5 377 777 15 5 $\frac{1}{2}$

The supplies for 1757, amounted to 136 millions, £ 6 044 444 sterl.

1. Two lotteries, for which were appropriated, for the first, 3 800 000 during 12 years; and

7

for

	Fr. money. livres.	Sterling ditto. l. s. d.
for the second, 4 000 000 during 11 years. These sums were annually to be drawn, and paid every year; for which was paid to the King, for the first, 36 millions; for the second, 40 millions; together	76 000 000	3 377 777 15 6 $\frac{1}{2}$
2. The ordinary revenue was charged with 6 millions of life annuities, at 10 per cent. sold for	60 000 000	2 666 666 13 4
	<u>136 000 000</u>	<u>6 044 444 8 10<math>\frac{1}{2}</math></u>
The supplies for 1758, amounted to 135 millions, £ 6 000 000 sterl.		
1. The first was a loan of 40 millions, upon a perpetual annuity of 5 per cent. proposed to be paid off by way of lottery, at the rate of 3 200 000 yearly	40 000 000	1 777 777 15 6 $\frac{1}{2}$
2. The King obliged those who have hereditary offices proportionally to purchase additional salaries, to the extent of 1 million a year, at the rate of 20 years purchase, or forfeit what they had	20 000 000	888 888 17 9 $\frac{1}{2}$
3. The additional 10 per cent. upon the price of tobacco, was sold this year to the farmers, for	30 000 000	1 333 333 6 8
Carry over	<u>90 000 000</u>	<u>3 999 999 19 11<math>\frac{1}{2}</math></u>

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	90 000 000	3 999 999 19 11½
4. The ordinary revenue was charged with 3 600 000 livres, life-annuities, upon two lives, at 8 per cent.; fold for the sum of	45 000 000	2 000 000 — —
	<u>135 000 000</u>	<u>5 999 999 19 11½</u>

The supplies for 1759, amounted to upwards of 194 millions, £ 8 652 923 sterl.

- The first supply for this year was the epitome of the general subvention, called an extraordinary free gift, from all the cities, towns, burghs, villages, and suburbs in France
- 3 600 000 livres of perpetual annuities, borrowed upon the general farms, at 5 per cent. until reimbursement, fold for
- The free gift of the clergy, for five years from 1761 inclusive, fold at once for
- The second twentieth penny produced for this year

	3 690 786	164 034 18 8
	72 000 000	3 200 000 — —
	16 000 000	711 111 2 2½
	35 000 000	1 555 555 11 1½
Carry over	126 690 786	5 630 701 11 11½

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	126 690 786	5 630 701 11 11½
5. Sold to the magistrates and heads of colleges in some towns in Flanders, some branches of their own taxes, for	8 000 000	355 555 11 1½
6. The ordinary revenue was charged with 3 millions of annuities, called <i>tontines</i> , fold for	60 000 000	2 666 666 13 4
	<u>194 690 786</u>	<u>8 652 923 16 5</u>

The supplies for 1760, amounted to above 251 millions, £ 11 186 430 sterling.

- The Paris-duties above mentioned fold for 15 years
- The 3d shilling in the pound fold for two years, for
- The 2d shilling produced this year
- Raised by perpetual annuities, at 3 per cent. secured on the King's ordinary revenue \*

	30 283 900	1 345 951 2 2½
	72 340 000	3 215 111 2 2½
	35 000 000	1 555 555 11 1½
	60 000 000	2 666 666 13 4
Carry over	197 623 900	8 783 284 8 10½

\* When the bad consequences of shutting up the sinking fund were discovered, the King opened subscriptions, such as were the *tontines* of the last year, this of 60 millions, and one the next year of 30 millions; in which the discredited paper was received, in part payment of the sum. This I suppose is the reason why the supplies of 1759 and 1760 appear so high, and also why money appears to have been borrowed at so low a rate as 5 per cent. upon *tontines*, and 3 per cent. on article 4th of this

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	197 623 900	8 783 284 8 10 1/2
5. The free gift of the cities, &c.	3 690 787	164 034 19 6 1/2
6. By a lottery at 5 per cent. where the discredited paper (the payment of which was stopt, when the sinking fund was shut up in 1759) was taken in payment for one half, was raised	50 000 000	2 222 222 4 5 1/2
7. Borrowed from the officers of the town-house of Paris, at 5 per cent. secured on the ordinary revenue	380 000	16 888 17 9 1/2
	<u>251 694 687</u>	<u>11 186 430 10 7 1/2</u>

The supplies for 1761, exceeded 120 millions, £ 5 364 034 sterl.

1. Charged upon the ordinary revenue, 200 000 livres a year upon lives and other annuities, at 10 per cent. in favour of the order of the Holy Ghost, fold for	2 000 000	88 888 17 9 1/2
2. Borrowed on the duties upon leather, at 3 per cent. These were the annuities which were ordered to be	30 000 000	1 333 333 6 8

Carry over 32 000 000 1 422 222 4 5 1/2

year; because the interest of that part only which was paid in specie is flated; not the interest upon the discredited paper subscribed, which was paid out of the first twentieth.

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	32 000 000	1 422 222 4 5 1/2
reimbursed after the peace of 1763, at 20 years purchase; and which, I suppose, had been subscribed for, partly, in discredited paper.		
3. Charged on the ordinary revenue, 4 millions a year, for annuities at 8 per cent. upon two lives, fold for	50 000 000	2 222 222 4 5 1/2
	<u>82 000 000</u>	<u>3 644 444 8 10 1/2</u>

4. Besides these fums, there was the amount of the 2d twentieth, and the small subvention, or free gift, which continued to be applied to the current service, as they had not been fold off;

inde	38 690 787	1 719 590 10 8
Total	120 690 787	5 364 034 19 6 1/2

The supplies for 1762, exceeded 159 millions, £ 7 076 923 sterl.

1. The farms which had been lett in 1755, came to be again renewed this year; from which arose a sum for the security of them, of

83 200 000 3 697 777 15 6 1/2

Carry over - 83 200 000 3 697 777 15 6 1/2



	Fr. money.	Sterling ditto.
	livres.	l. s. d.
Brought over -	83 200 000	3 697 777 15 6½
2. There was no borrowing this last year of the war. The second twentieth, which never had been fold; the third twentieth, which this year became free, as it was imposed a-new for two years more; and the little free gift by all the towns of France; made together an additional sum of	76 030 787	3 379 146 1 9½
	<u>159 230 787</u>	<u>7 076 923 17 4½</u>

Recapitulation of the expence of the seven years of the war.\*

	Fr. money.	Sterl. ditto.
	livres.	l.
For 1756 - - - - -	121 000 000	5 377 778
For 1757 - - - - -	136 000 000	6 044 444
For 1758 - - - - -	135 000 000	6 000 000
For 1759 - - - - -	194 690 786	8 652 924
For 1760 - - - - -	251 694 687	11 186 431
For 1761 - - - - -	120 690 787	5 364 034
For 1762 - - - - -	159 230 787	7 076 924
Total - - - - -	<u>1 118 307 047</u>	<u>49 702 535</u>

Having gathered together, from the best information I can, the amount of all the extraordinary supplies raised in France, for the service of the last war, let us suppose, that at the peace, no part of

\* The Sterling money, in this recapitulation, is reduced to the nearest integer, neglecting fractions of a pound.

any capitals borrowed had been paid off, according to the plan laid down for that purpose at the time of contracting. Let us suppose, I say, that all the lottery funds and life-annuities, as well as those annuities which were intended to be paid off by way of lottery, stood at their full extent, without diminution, at the peace, and then calculate what sum of debt should have remained upon France in consequence of the war.

As for the sums raised, either upon renewing the farms of the revenue, the amount of new taxes imposed, or such branches of them as were fold at once for a sum of money, they remain no debt upon the King; and are therefore to be considered (as they really were) extraordinary resources drawn from the people, without any recourse to credit or borrowing.

	Fr. money.	Sterling ditto.
	livres.	l. s. d.
These sums collected from the above supplies, and laid together, amount to	520 926 948	23 152 308 16 —
Let us then state the whole of the supplies as above	1 118 307 047	49 702 535 — —
And from thence deduct the extraordinary resources drawn from the people, as above, to wit	520 926 947	23 152 308 16 —
There will remain a capital of borrowed money	597 380 100	26 550 226 4 —
Of this the life-annuities (charged upon the ordinary revenue) form a capital of	217 000 000	9 644 444 8 10½
The lotteries form a capital of	108 000 000	4 800 000 — —
Carry over	325 000 000	4 444 444 8 10½

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	325 000 000	14 444 444 8 10½
And the perpetual annuities, a capital of	272 380 100	12 105 781 15 6½
In all, as above	597 380 100	26 550 226 4 15

Let us next see the amount of annual payments for discharging either the capital or the interest.

	Fr. money. livres.	Sterling ditto. l. s. d.
For the life-annuities until extinguished, paid out of the ordinary revenue	16 200 000	720 000 — —
To discharge the lottery fund, in 12 years at most	11 600 000	515 555 11 1½
Suppose the perpetual annuities all at 5 per cent.; <i>inde</i>	13 619 000	605 288 17 9½
Annual sum of interest	41 419 000	1 840 844 8 10½

Let me now draw up a state of the taxes raised for defraying the expences of this war. In that I shall only comprehend such articles as existed at the peace, unless, as for the other, we may consider them only as expedients for raising money for the current service; but which, in time to come, may serve to augment the revenue.

	Fr. money. livres.	Sterling ditto. l. s. d.
Third		

	Fr. money. livres.	Sterling ditto. l. s. d.
1. The 2d twentieth, never alienated	35 000 000	1 555 555 11 1½
2. The 3d twentieth, imposed for the years 1762 and 1763, not alienated	30 000 000	1 333 333 6 8
3. The free gift of the cities, towns, &c. never alienated	3 690 786	164 034 18 8
	68 690 787	3 052 923 16 5½

Let me now proceed to the fourth general branch of taxes, or of money raised upon the people of France: *1mo*, To the profit of the farmers: *2do*, Towards defraying the expence of collecting the three foregoing branches of revenue, which amount to about 403 millions: And *3tio*, To pay what is appropriated to certain purposes within the country, here to be specified.

	Fr. money. livres.	Sterling ditto. l. s. d.
1. First then, the net profits of all the farmers of the revenue are calculated to amount to about	17 240 000	766 222 4 5½
2. The expence of levying all the revenue is calculated to amount to about 10 per cent. of the whole; <i>inde</i>	40 300 000	1 791 111 2 2½
3. There is a revenue appropriated for keeping up the water-works at all the royal palaces	1 200 000	53 333 6 8
Carry over	58 740 000	2 610 666 13 3½

	Fr. money.	Sterling ditto.		
	livres.	l.	s.	d.
Brought over	58 740 000	2 610 666	13	3 $\frac{1}{2}$
And to the invalids, St. Cir, and the <i>hotel militaire</i>	7 300 000	324 444	8	10 $\frac{1}{2}$
There are taxes imposed for clothing the militia, to the amount of	3 800 000	168 888	17	9 $\frac{1}{2}$
All the towns in France have particular branches of taxes appropriated to themselves, for pavement, buildings, &c. and for maintaining the police, which amounts to	15 000 000	666 666	13	4
And the duties levied in the courts of law for sentence money, emoluments to the judges ( <i>epices</i> ), and expence of registrations, the vast sum of	27 000 000	1 200 000	—	—
	<hr/> 111 840 000	<hr/> 4 970 666	<hr/> 13	<hr/> 3 $\frac{1}{2}$

Formerly, all the officers of the courts of justice had salaries paid out of the King's revenue. These were insensibly diminished in every reign, and those court-fees were augmented in order to fill up the void; from which the greatest oppression ensues.

If to the sum in this last article we add 22 millions above stated as a charge upon the ordinary revenue for salaries to first presidents, &c. and other expences of the law, we shall find that the article of justice alone costs near 50 millions of livres, a year, to the public. The greatest part of this sum should be considered as the interest of money borrowed by the Kings of France, the capitals whereof are still outstanding; and if the capitals were paid off, a great augmentation of income would arise from it. But the bad footing

footing upon which their credit stands, renders even this burden expedient on some occasions; because the King can oblige all those who have such hereditary offices, to lend money upon an augmentation of their salaries.

To conclude this enormous catalogue of taxes paid by the kingdom of France, we must not omit the last branch, which comprehends the heads following:

	Fifth general branch.			
	Fr. money.	Sterling ditto.		
	livres.	l.	s.	d.
1. What is paid for bulls, dispensations, baptisms and burials, to the pope, bishops, and inferior clergy, very near	10 000 000	444 444	8	10 $\frac{1}{2}$
2. For the support of hospitals, a sort of poors rates	11 500 000	511 111	2	2 $\frac{1}{2}$
3. To branches of impositions, of various kinds, belonging to private people, peers of France, governors of provinces, and officers of all the royal jurisdictions within the kingdom	20 000 000	888 888	17	9 $\frac{1}{2}$
	<hr/> 41 500 000	<hr/> 1 844 444	<hr/> 8	<hr/> 10 $\frac{1}{2}$

General recapitulation of all the money raised in France by public authority, for whatever purpose employed.

	Fr. money.	Sterling ditto.		
	livres.	l.	s.	d.
1. The King's ordinary revenue as it stood at the peace 1762	282 300 000	12 546 666	13	4
2. The extraordinary revenue raised at the peace 1748	52 338 000	2 326 133	6	8
Carry over	<hr/> 334 638 000	<hr/> 14 872 800	<hr/> 0	<hr/> 0

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	334,638,000	14,872,800 0 0
3. The extraordinary revenue raised on account of last war, and for the payment of debts then contracted, not fold at the peace.	68,690,787	3,052,923 17 4
4. The expence of raising the taxes, and emoluments of the farmers, with other branches perpetually appropriated for defraying regular expences	111,840,000	4,970,666 13 4
5. Taxes paid to the church, poor, and private persons	41,500,000	1,844,444 8 10
<b>Sum total raised annually in France</b>	<b>556,668,787</b>	<b>24,740,834 19 6</b>

## Charges, or appropriations of it.

1. Charges upon the ordinary revenue <i>per list above</i>	236,050,000	10,491,111 2 2
2. Ditto upon the second general branch <i>per ditto</i>	55,690,000	2,475,111 2 2
3. Ditto upon the third general branch for lotteries and perpetual annuities constituted during the war: the life-annuities being already charged in article 1st	25,219,000	1,120,844 8 10
4. Ditto upon the fourth general branch totally exhausted <i>vide</i>	111,840,000	4,970,666 13 4
5. Ditto upon the fifth general branch ditto	41,500,000	1,844,444 8 10
Carry over	470,299,000	20,902,177 15 6

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over	470,299,000	20,902,177 15 6
There remains (unappropriated) for all extraordinary expences of state, which compleats the sum total of what is raised in France	86,369,787	3,838,657 4 —
	<u>556,668,787</u>	<u>24,740,834 19 6</u>

In this light does the state of the French affairs appear, from the sketch I have been able to give of it.

Had the sum of 86 millions, remaining as unappropriated at the peace, been any way sufficient for paying off claims which have not appeared upon the state we have given, and for all extraordinary expences, the credit of France would not have been so low as it then was, and still continues to be.

The expence of a kingdom must constantly exceed the amount of all regular and permanent income.

At the end of a war what great sums of debts unprovided for are constantly found! Taxes also, when stretched as they were, and imposed in so great a proportion upon possessions, in respect of what was raised upon consumption, must always diminish in their produce; but the expence and charges never fall short. This is more especially the case in a country where paper credit is not established.

The constant complaints for want of money to carry on circulation in the time of war, is a proof of it. When peace returns, and money is kept at home, then all taxes are readily paid in France, and half the burden of them is not felt, although they be more productive than before.

As I said in setting out, I do not pretend that the account I have given of this dark affair, is in any degree so correct as to satisfy a French minister; but it is a rough sketch, which contains the ge-

neral state of their affairs; and if it be worth any man's while, who is better informed, he may correct it, and thereby bring on a farther inquiry into the true state of the question.

What interest a nation, which is not in an actual state of bankruptcy, can have in concealing its affairs, I cannot find out. How much more then is it not the interest of a mighty kingdom, which possesses such amazing resources, to expose its situation in a fair light to the world, to which it must, upon all occasions, have recourse for assistance in point of credit?

Of the many branches which compose this great national revenue of above 550 millions, there are several articles which must of necessity be cut off, so soon as the debts are brought into a regular form. The double poll-tax is most oppressive on the poorer sort, and therefore was imposed only for a time: the three twentieths, as they are levied, are no less so upon the higher classes of the people.

These four articles amount, however, to 116 millions. If we deduct this from the revenue, as we have stated the account of it, it will not only exhaust the balance of 86 millions, but it will create a deficiency, upon the whole, of 30 millions, which can only be compensated by discharging a corresponding part of the burden of debts, while those branches do subsist.

But then the same resources are open upon every new emergency; and as they have now begun to be collected, they will be more easily paid at another time.

Besides, what an acquisition will be made to the revenue by the extinction of 16 millions of life-annuities, and by the expiration of so many anticipations of taxes for terms of years!

On the other hand, it is not to be supposed that the King will continue to demand of the clergy, above 1 500 000 livres a year, or one shilling in the pound upon their benefices. That body is becoming daily more and more indebted, by the practice introduced of late, of making payment of their free gifts to the King, by borrowing the money, instead of paying every one's proportion out of

his benefice. This in time may oblige them to accept of pensions for their benefices, and to make over their revenue in tithes to the King: they will, at least, in one way or other, become entirely at his mercy, and at that of their own creditors.

Before I conclude, I must say a word concerning the method of levying the taxes in France.

The most general distribution I can make of this, is to reduce it under four principal heads.

The first comprehends the general *receptes*; to wit, the *taille*, or land-tax, the *capitation*, or poll-tax, and all the twentieths. These are administered by the intendants of the provinces, who both make the distribution of them upon the subjects, and who levy them by officers under their direction; and for the expence of levying, is superadded to the taxes, 10 per cent. upon the whole. When they are collected, they are paid in to the receivers general at Paris, who deliver them in, and account for them to the royal treasury.

The second comprehends all the taxes which are farmed. The farmers are vested with the King's authority for raising the duties let to them, according to certain regulations; and as they are obliged to keep open books, the expence of management is known, and at every new lease a reasonable profit is allowed to them over and above.

The third branch comprehends all free gifts of determinate sums of money, imposed according to certain regulations prescribed to those bodies politic who pay them; into which may be comprehended all taxes upon the clergy; because they levy them themselves.

The fourth comprehends retentions which the King makes out of the salaries he pays. This needs no explanation.

What farther observations may be made on this head will find a place when we speak of taxes.

## C H A P. VII.

*Comparative View of the Revenue, Debts, and Credit of Great Britain and France.*

IN comparing the state of credit in the two nations, I must first observe, that it is not so essential to compare the extent of the revenue of both countries, as the resources they have for obtaining extraordinary supplies in case of need.

Whatever be the permanent revenue of a state, we may be very certain that the exigencies of it will be in proportion; and whenever any extraordinary expence is to be incurred, it must be provided for by extraordinary means.

In examining the state of Great Britain and France, we have found this observation verified. If the expences of the year do no more than absorb the revenue of it, and if the sinking funds appropriated for paying off incumbrances be properly applied, the state has no reason to complain.

This distribution evidently points out how necessary it is not to confound those branches of revenue which are appropriated to state expences, with those which ought to be set apart for the payment of debts and interest. This however I apprehend is too much neglected in both kingdoms.

If times of tranquillity be not made use of, to disengage those funds which necessity had opened, it cannot be denied; that future exigencies must then seek for a supply; from resources as yet undiscovered.

That nation, therefore, which has certain branches of revenue lying dormant in time of peace, has the advantage in point of resources.

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In this respect the advantage hitherto has lain on the side of France; she has had her *dixiemes*, *vingtiemes*, and double poll-tax; which have never been imposed except in cases of necessity.

But on the other hand, Great Britain has a noble and opulent branch of permanent taxes, which compose her sinking fund. Were this employed in times of peace, as it ought to be, it would prove in time of war a more ready fund of credit than any France can boast of.

Those extraordinary resources of France cannot be mortgaged. They are supplies for the current service; but they are no fund of credit. Whereas the sinking fund of Great Britain is always ready in the mean time to supply urgent demands. While this subsists, there is no danger of being obliged to break faith with all the public creditors, upon a demand for a million and a half sterling, as was the case with France in 1759. The one resembles a credit in bank; the other the rents of a great estate. The sinking fund affords time to raise new supplies, in proportion to the debts contracted; and if these, when new, and raised in time of war, prove sufficient to answer the interest of the loan, they will probably do more as they continue to be levied, and upon the return of peace.

One very remarkable difference between the state of credit in the two nations is, that in Britain the object of attention is the rate of interest; in France it is the speedy repayment of the capital. The great care of a British minister is to support the price of the funds: the meaning of which is, to keep the interest of money low. Did not the price of the funds regulate the rate of money, the state would be nowise concerned in the price of them.

Now the credit of Great Britain is so firmly established, that she may command money at all times, providing she will give the interest required.

The case is totally different in France. Her credit is not well established; that terrible Mississippi-monument, of near a thousand millions, standing fixed upon the ordinary revenue to this day at  $2\frac{1}{2}$  per cent. first reduced from the most exorbitant interest, by successive

cessive acts of power, after the late King's death, and afterwards from a moderate interest to 2 *per cent.* in the year 1720, is reason sufficient to deter monied men from lending to France upon perpetual interest.

In borrowing upon life-annuities at 10 *per cent.* and upon lotteries at nearly the same rate, for 11 or 12 years, France obtains credit for large sums. She also borrows with tolerable success at 5 *per cent.* when there is a lottery-clause put in, which stipulates a large sum to be annually paid for extinguishing the capital. The reason is, she is more punctual to such engagements: they remain constantly under the eye of the public: the stock-holders consider their money as constantly coming in; and any interruption in the payment gives a general alarm. But when funds are settled at perpetual interest, people lose sight of the capital altogether. The contracts by which they are commonly constituted, are not so easily transferred as other funds: in a word, it is not the taste of the French nation to lend their money in that way, and far less the taste of strangers; and the reason is, that as matters have hitherto been conducted, it has by no means been their interest.

Before the commencement of the late war, no security in France was looked upon as better than the actions of the company of the Indies. This was a fund of perpetual interest. They brought in to purchasers little more than 4 *per cent.* and every body wished to have them. Every action bore a dividend of eighty livres a year; and the action itself sold from eighteen to nineteen hundred livres. The war had not lasted four years, when the dividends were reduced to one half, and the capital fell to about 700.

In short, all perpetual funds in France, whether upon government or company-security, are very precarious; and while this is the case, we may decide that the credit they are built on is precarious also.

C H A P. VIII.

*Contingent Consequences of the Extension of Credit, and Increase of Debts.*

HAVING applied the principles of public credit to the state of facts in Great Britain and France, such as I have been able to collect, I must observe, that all short sketches of this kind are intended only to satisfy a general curiosity which mankind has, to know a little of every thing. Although they may appear superficial and incorrect, to persons thoroughly instructed in those matters, they still are for our purpose; which is only to take them as something approaching nearer to truth than bare suppositions can do; and they sufficiently answer the purpose of illustrating the subject we are upon.

I now proceed to inquire what may be the consequences of this mighty change produced upon the policy of industrious and trading states, from the establishment of credit, debts, and taxes.

I have, from the very beginning of this inquiry, occasionally taken notice of the influence that such a change must make upon the spirit and manners of a people. The lower classes, who are slow in forming combinations, do not soon comprehend the necessary consequences of such revolutions. Even ministers have been often at a loss to judge of the consequences which might follow upon some steps of their own conduct relative thereto, although taken upon mature deliberation.

When public credit is employed for raising money upon a plan of refunding the capital, either by uniform annual payments exceeding the interest, or by funds established for sinking the capital, no contingent consequences can happen, providing the plan be

executed: the debts contracted will be paid, and matters will return to their former state.

When public credit is employed for raising money upon payment of a perpetual interest; or if, whatever be the plan laid down, capitals should not happen to be discharged, and that the debts should swell continually; in this case, the contingent consequences are many and various, far exceeding any man's sagacity to investigate.

If we judge of them from what past experience teaches us, we may conclude, that, in one way or other, all debts contracted will in time disappear, either by being paid, or by being abolished: because it is not to be expected that posterity will groan under such a load any longer than it is convenient; and because in fact we see no very old public debts as yet outstanding, where interest has been regularly paid.

This is a very rational conclusion from past experience; but it is only relative to the circumstances of past times. While the debtors are the masters, there is no difficulty of getting clear of debts: but if the consequence of this new system should be to make the creditors the masters, I suppose the case might be different. Farther,

In former times public debts were contracted between the state and its own subjects; but at present we see that in such loans, foreigners, even enemies, are invited to concur: and the better to engage them to it, a total immunity is promised from all taxes upon the interest to be paid by the borrowers.

This circumstance has already drawn the attention of Princes, in the discussion of their reciprocal concerns. We saw how, in the treaty of Dresden, which took place after the King of Prussia's invasion of Saxony in 1745; it was provided by the 6th article, that all debts due by the bank of the *Steuer* to that Prince's subjects, were to be paid, on presentation of their contracts.

We have not indeed as yet seen wars carried on for the payment of debts; but the case may happen, and kingdoms may be carried off upon such pretensions, as well as private property. What

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a chain of contingent consequences arises from this single combination, were this a proper place to introduce them!

But without going to the supposition of Princes or nations becoming reciprocally engaged in debts, and thereby involving such mighty interests in the support of public faith, we may easily conceive, that a monied interest, of a long standing, may have influence enough to operate a change upon the spirit and manners of a people.

Let me here take the example of Great Britain. Do we not see how the spirit of that nation is totally bent upon the support of public credit? And do we not see how absolutely their commercial interest depends upon it? Can it be supposed, that every one has combined all the consequences which may flow from the constant swelling of their debts? Or indeed is it possible to determine what will be the consequences of them? This however we may suppose at least, because we see the progress of it already, that the interest of the creditors will daily gather strength, both in parliament and without: and if from small beginnings it has arrived at the pitch we now see, it is very natural to conclude, that, in time, it may become stronger, and at last, that the creditors of the nation may become the masters of it.

When any one interest becomes too predominant, the prosperity of the state stands upon a precarious footing. Every interest should be encouraged, protected, and kept within due bounds. The following speculations are intended for the application of principles to new and unexperienced combinations; where natural causes may work their direct and immediate effects, and thereby prove prejudicial to the general welfare, unless they be foreseen in some degree, and proper remedies be prepared against them.

Europe was possessed by our ancestors free from taxes; our fathers saw them imposed, and we see how fast they become mortgaged for our debts. We can as little judge of the extent of our credit, as they could of the possibility of contributing so large a fund for the support of it.



As the plan of imposing taxes has been extended, we see the public coffers every day receiving a vast flux of money; and like the heart in the human body, throwing it out again into circulation. Happy state, could it be lasting; and were this flux and reflux preserved in a due proportion to all the uses for which it is intended! But states have their vices, as well as private people. Public opulence should be proportioned to public exigencies; but how often do we see ambition putting on the face of public spirit, and animating the resentment of a nation, under colour of providing for her security? Hence wars, from wars expence, recourse is had to credit, money is borrowed, debts are contracted, taxes are augmented; all this increases circulation, which demands a supply of currency: this is procured by melting down the solid property. These operations performed, the public money is either sent abroad; or remains at home. If sent abroad, more property must be melted down, in order to fill up the void. If it remains at home, it will animate every branch of circulation; and when the exigency, which required this additional quantity of money, is over, what circulation finds superfluous, will stagnate in the hands of the monied interest, and will either form a new fund for contracting more debts, or it will be laid out in the purchase of the property formerly melted down, which produced it; and thereby will be consolidated a new

Every interest in a state must influence the government of it, in proportion to its consequence and weight; and every government must influence the spirit of the people who live under it.

Now, as we have seen how industry creates wealth; how wealth and confidence create credit; how credit creates debts and taxes; how these again occasion an augmentation of money, by the melting down of property; and how this property is transferred to a new set of men, who were once the monied interest, and who afterwards acquire the lands, and consolidate this additional circulation; does not this chain of consequences represent a kind of circle, returning into itself? And is it not plain, that without

the intervention of this engine, the money created in proportion to the demand for it, the chain would be cut off, before it could reach the link from which it first set out? Will not this conversion of a monied interest into a landed interest, insensibly inspire the bulk of the landlords with sentiments analogous to a monied interest? Is not that evidently more and more the case every day in England? And from this may we not prognosticate the solidity of public credit in that nation?

If on the other hand we find, as in France, industry in times of peace drawing wealth from other nations, and thereby increasing the coin, upon which alone credit is circulated through the kingdom; and then foreign expence sending it away in times of war; must not circulation keep pace with the coin, that is to say, be circumscribed within the proportion of it?

If the solidity and extent of the French King's free revenue should afford credit to borrow this coin; and if, instead of providing a proportional supply of currency to fill up this new loan, the coin borrowed be sent out of France; how will the ordinary circulation be carried on?

Let us here recal to mind what was said in the 22<sup>d</sup> chapter, upon banks; where we distinguished *voluntary* circulation, which is buying, from *involuntary* circulation, which is paying: we there observed how *paying* must always take place of *buying*; consequently, we may here determine that taxes must be paid before buying, that is consumption, can go on. The deficiency therefore of coin for circulation, will, first, proportionally affect the trade, manufactures, and consumption of France; and afterwards the revenue which arises from them. Is not this the constant complaint in France, when war carries off their coin? The remonstrances of all their parliaments are filled with it.

In times of peace, the amount of what comes from the people is greater than in time of war: but then there is coin sufficient for all the payments; and when they are made to the royal treasury, they immediately return into circulation, and no hurt is felt.

I insist the more upon this principle, and I introduce it in so many different ways, and under such a variety of views, because I take it to be one of the most important considerations in the whole doctrine of credit, and one which I have never seen suggested by any French, or English writer upon this subject. Many are the complaints for want of money; but no method have I ever seen proposed for obtaining it from solid property; the easiest and safest of all operations, when conducted with honesty, and according to principles.

As money therefore is the means of closing the chain of consequences already mentioned, and forming it into a circle, as has been said, we plainly see how, when it is wanting, the same effects cannot be produced; and consequently the country of France, when money is confined to the coin, will be very long in adopting the sentiments of a monied interest; whether for its profit or loss, in the end, is not here the question.

We have now traced the contingent consequences of public credit so far as to shew how it may tend to influence the spirit of a people, and make them adopt the sentiments of a monied interest.

The allurements of acquiring land-property is very great, no doubt, especially to monied men. The ease and affluence of those, on the other hand, who have their capitals in their pocket-books, is very attracting to the eyes of many landlords, especially at a time when they are paying the heavy taxes laid upon their possessions.

The firm establishment of public credit tends greatly to introduce those reciprocal sentiments of good-will among the two great classes of a people, and thereby preserves a balance between them. The monied interest wish to promote the prosperity of the landlords; the landlords, the solidity of credit; and the well-being of both depends upon the success of trade and industry.

Let us now suppose what is actually the case in Great Britain, that from the swelling of public debts an enormous fund of property is created. This is formed out of the income of the whole

nation; and as it has been purchased by those who have lent money to the state, in common language it is included in what we call the monied interest: it is however very distinct from it, as will be understood from what is to follow.

The capital of the public debts is the price which was paid for the annuities due to the creditors, and is now no more money to them than land is money to the landlord. It may be turned into money, no doubt; but so may land.

By the monied interest, properly, should be understood, those who have money, not realized upon any fund, and who either employ it in the way of trade, in the way of industry, in jobbing in land, in stock, or in any way they please, so as to draw from it an annual income. While it is fixed, that is, given for any permanent value, it ceases to be money; when it is called in, it becomes money again. Let stock, therefore, suffer ever so many alienations from hand to hand, it still continues stock: it never can become land, it never can become money, until it be paid off. I hope this idea is clear, and understood. Stock, therefore, I here consider as one great branch of solid property; so far as the security of government is solid and good; and as such, may be melted down into money by banks, as well as any other thing.

Now I have said that this fund is formed out of the income of the whole nation; consequently by *fund*, here, I do not understand the capital, which exists no more, but the interest which is drawn for it: it is this interest, I say, which arises from the land, money, trade, industry, &c. From the land, out of the amount of the taxes charged upon it; from the money, trade, industry, &c. out of the amount of proportional taxes, such as excises, customs, salt-tax, stamp-duties, and the like.

The more the debts increase, by the monied interest realizing into this branch of solid property, the more the taxes must augment; and consequently, the more the solid property of the funds themselves will be affected, as well as the land.

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From this exposition of the matter, I think it appears pretty evident, that as proportional taxes affect every man's income, according to his consumption; the landlord, *ceteris paribus*, who pays a land tax, as well as his proportion upon his consumption, is more hardly dealt with than the proprietor of the other branch of solid property, the funds, who only pays the proportion of the last.

But the condition of the stockholder is not equal to that of the landlord, for two very plain reasons. The first is, that the income of his stock cannot increase; that of the land may. The second is, that the swelling of this great capital of stock has the effect of sinking the interest upon it, and consequently of diminishing the income of the stockholder; and in proportion to that diminution, the value of land is augmented. Now I readily allow that the augmentation upon the *value* of lands is no inducement to a landlord to turn them into money; because he would then lose upon his money, what he gains upon the additional price received. But it is a great advantage in this respect, that he thereby diminishes the interest he pays upon his debts, if he has any; and if he has none, it enables him to borrow at a lower rate for the future; and by improving his lands with the money borrowed, he augments his income much beyond the proportion of the interest paid.

It is therefore necessary, in imposing land taxes, rightly to combine every circumstance; that the load of all impositions may be equally distributed upon every class of a people who enjoy superfluity, and upon no other. If, after a fair deduction of principles, this shall appear a thing possible to be done, we may expect to see statesmen engaged to depart from the old maxim of grasping at what is readiest and nearest at hand, to wit, the landed property, with a view to spare a class of people, which, in a well regulated state, never can be made to feel the burden of any proportional tax whatsoever; I mean the industrious poor.

I now proceed in my inquiry into the nature and consequences of the swelling of this great branch of property, the public funds.

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As to the nature of it, we have said already, that it is formed by realizing money into stock. When government borrows, the lenders must be people who have money. If the loan is made at home, the money is no sooner paid in, than it is spent; and as we may suppose that it would not have been lent, had either the lenders found it necessary for their current expence, or had they found a more profitable way of realizing it than by lending it to government, we consider it as in a state of stagnation; but being lent to government, it is thrown into a new channel of circulation.

Farther, this money stagnating in the hands of the lender, either proceeded from his income, which exceeded his expence, or from the profits of his industry. In either case, the country is neither poorer or richer, when considered in a cumulative view, than if the same sum had been lent to private people at home.

Let us next suppose the money to have been borrowed for the exigence of a foreign war. In this case, if it be borrowed at home and sent abroad, it must first be converted into the money of the world, gold and silver, and then sent off, to the diminution of this kind of property; or it must go abroad in the money of the country, credit, to the diminution of the annual income upon which the credit is established. As this last operation may not be so clear, an example will explain it.

Government borrows a million; it is paid in paper, and must be sent to Holland. If at that time a balance be due by Holland for a million, bills will readily be found for it. In this case, the balance of trade is borrowed by government, and is converted into a capital of a million in the public funds, the interest of which will remain at home, and continue to be the property of the nation. But as the value of this balance is sent to Holland and spent abroad, it is, upon the whole, to the nation, as if the balance had not been due to them. This I call a *lucrum cessans* to the country.

But suppose no balance due at the time the million comes to be sent off, I say the consequence will be, to alienate in favour of foreigners a part of the annual income, proportional to the whole

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interest paid for the loan, whether it has been subscribed for by foreigners, or by natives.

If the subscription comes from foreigners, the consequence is evident: it is equally so in the other case, upon a little reflection.

Suppose then the million subscribed for, and paid in London. Bills are fought for; none are found, I mean in the way of reciprocal compensation, does not this sum immediately become a balance against London? And as a country loses all such balances, and that the country to which they are due gains them, this million is lost to England, and forms what I call a *damnum emergens*; that is to say, her former property or income is so far diminished, or comes to be transferred to strangers.

From this we may conclude, that in all matters of public borrowing, it is of no consequence whether the subscription be filled by natives, or by foreigners, when the value of it is to be sent abroad.

Let us next examine the state of the question when the loan is made in order to be spent at home, as is the case after a war, when the unfunded debts come to be paid off.

We have said that loans are filled by money stagnating, which the owner desires to realize: if he cannot do better, he lends it to government; if he can do better, he will not lend it.

While the uses of domestic circulation absorb all the money in the country, that is to say, when there are private persons ready to borrow all the money to be lent, at this time government cannot borrow at home; and if they did, by offering a high interest for it, the borrowing would do harm to circulation; because it would raise interest at home, or disappoint those who would gladly borrow it, for little more than the interest offered by government.

Let us next suppose that after a war, when the unfunded debts are either bearing a high interest, or selling at discount, government shall find an advantage in opening a subscription, which may be filled from abroad, at a lower rate than the then actual value of money. Suppose, I say, the Dutch should be willing to lend at 3 per cent. while money in England stood at 4 per cent. I ask if, in

this case, government ought to borrow from Holland, at the expence of sending the interest out of the country, rather than suffer such debts to sell at discount; or to continue paying a higher interest at home for what they owe?

It is my opinion that still they ought to borrow, for the following reasons. That if the high interest at home proceeds from want of money, that is to say, from circulation not being full enough, it is their interest to borrow, were it for nothing else than to supply circulation; because unless this be full, all industry must languish. But suppose it should be said that circulation is full enough, that industry suffers no check from that quarter, but that there being no superfluity of money, interest stands 1 per cent. higher than it would do were there considerable stagnations. In that case also, I think it is their interest to borrow, were it for no other reason than to produce such stagnations.

It is a general rule every where, that there is no having enough without having a superfluity; at least there is no certainty of one's having enough without finding a superfluity. Borrowing, therefore, in small sums, at such a time, will produce stagnations at home, from which succeeding loans may be filled, after circulation is sufficiently provided: and even in case more should be borrowed from strangers than is necessary, and that in consequence of it, too much should come to stagnate at home, after the demand of government is over, in that case, the monied interest would lend, in their turn, to other states, where interest is higher; and the annual returns from that quarter would more than compensate what must be sent away, in consequence of the former borrowing.

From these combinations, let us draw some conclusions.

1<sup>mo</sup>, That the effect of public borrowing, or national debt, is to augment the permanent income of the country, out of stagnating money, and balances of trade.

2<sup>do</sup>, That this income so created, may be either the property of natives, or of strangers.



310, That when money is found to stagnate, in a country where circulation is not diminishing, it may be supposed to proceed from the coming in of a right balance of trade.

410, If stagnations in one part are found to interrupt circulation in another, public borrowing, for domestic purposes, has the good effect of giving vent to the stagnation, and throwing the money into a new channel of circulation.

510, That the sum of interest paid by any nation to strangers, shews the general balance due by the nation, after deducting all the profits of their past trade out of all the expence of their foreign wars.

But here it must be observed, that as on one hand we are comprehending all that is paid to foreign creditors, on account of the funds they have in England, for example, so on the other hand, must be deducted from this, all the like payments made to Englishmen by other nations.

610, From this last circumstance we discover, that the lending to other nations by private hands, produces the same effect to a nation as if the state were actually paying off the debts due to strangers. Consequently, when Moses permitted the Jews to lend to strangers at interest, and forbade such loans among themselves, his view was to establish a foreign tribute, as it were, in favour of his own nation, instead of establishing luxury at home.

710, As the balance due to a nation upon her trade, is found to compensate, *pro tanto*, the money she spends abroad, we may from the same principle conclude, that so soon as she ceases to expend money abroad, the balance of trade in her favour, if not realized at home in some new improvement, will diminish, *pro tanto*, the interest, or capitals due to strangers. This is evident from the nature of balances, of which we have treated already.

800, The consequence, for example, of England's owing large sums to strangers, will, from the same principle, constantly prevent exchange from rising very high in her favour, when the balance of her trade is to be paid to her: because on every such occasion,

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her foreign creditors will be glad to disappoint exchangers, by furnishing bills for their interest, or capitals, to those who owe the balance; the consequence of which is plainly to diminish the foreign debts.\*

This circumstance implies no loss to the nation which is creditor in the balance of trade, and debtor upon the capitals; because we have proved that the price of exchange never affects a nation, but only certain individuals, who pay it to others.

This is sufficient, I think, to point out in some degree the nature of a national debt. I come next to examine the consequences of its constant augmentation, without proper measures being taken, either to pay it off, or to circumscribe it within certain bounds.

In what is to follow, I shall throw all consideration of capitals totally out of the question; and as to the amount of taxes, it is quite indifferent whether the money proceeding from them be in consequence of an improvement made upon those already established, or from new impositions: such combinations will come in more properly afterwards.

If the interest paid upon the national debt of England, for example, be found constantly to increase upon every new war, the consequence will be, that more money will be raised on the subject for the payment of it. The question then comes to be, 1. How far may debts extend? 2. How far may taxes be carried? And 3. What will be the consequence, supposing the one and the other carried to the greatest height possible?

I answer to the first, that abstracting from circumstances which may disturb the gradual progress of this operation, before it can arrive at the *ne plus ultra*, debts may be increased to the full proportion of all that can be raised for the payment of the interest. As to the second, How far taxes may be carried, I shall not here anticipate

\* We must always carefully avoid confounding the grand balance of payments with the balance between importation and exportation, which I consider as the balance of trade.

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the subject of the following book, any farther than is necessary to resolve the question before us.

Taxes, we have said, either affect income, or consumption. The land-tax of England is now at 4 shillings in the pound, upon a supposed value of the property affected by it, which is all real and personal estates, the stock upon lands, and some few other particulars excepted.

This tax may be carried to the full value of all the real estates in England. As for personal estates it never can affect them proportionally; and that part of the statute of land-tax which passes every year, and imposes 4 shillings in the pound on personal estates, carries in it a vestige of our former ignorance in matters of taxation.

The notion of imposing (*facto*) 20 shillings in the pound upon the real value of all the land-rents of England, appears to us perfectly ridiculous. I admit it to be so; and could I have discovered any argument, by which I could have limited the rising of the land-tax to any precise number of shillings under twenty, I should have stated this as the maximum, rather than the other.

The second branch of taxes comprehends those upon consumptions, excises, and the like. The maximum as to this class must be determined by foreign trade; because this is affected in a certain degree by the price of domestic industry. Other taxes have not this effect, as we shall shew in its proper place.

But as foreign trade is not essential to the domestic industry, consumption, circulation, &c. of any nation, as has been proved in the second book, but only to their increasing in wealth proportionally to other nations; if foreign communications should be cut off entirely, I perceive no limit to which I can confine the extent of proportional taxes. Let me therefore suppose a term beyond which impositions of all kinds must come to a stop, and then ask, in the third place, what will the consequence be? I answer, that the state will then be in possession of all that can be raised on the land, on the consumption, industry and trade of the country; in short, of all that

that can be called income, which they will administer for the creditors.

When this comes to be the case, debts become extinguished of course; because they come to be consolidated with the property: a case which commonly happens when a creditor takes possession of an estate for the payment of debts equal to its value.

Then government may continue to administer for the creditors, and either retain in its hand what is necessary for the public expence of the year; or if it inclines to shew the same indulgence for this new class of proprietors as for the former, it may limit the retention to a sum only equal to the interest of the money wanted; and in that way set out upon a new system of borrowing, until the amount of taxes be transferred to a new set of creditors. This is the endless path referred to in the ninth chapter of the second book, which after a multitude of windings returns into itself.

A state, I imagine, which would preserve its public faith inviolable, until a period such as I have been supposing, would run little risk of not finding credit for a new borrowing. The prospect of a second revolution of the same kind would be very distant; and in matters of credit, which are constantly exposed to risk, such events being out of the reach of calculation, are never taken into any man's account who has money to lend.

The whole of this hypothesis is, I readily agree, destitute of all probability; because of the infinite variety of circumstances which may frustrate such a scheme. I only introduced it to shew where the constant mortgaging of a public revenue may end; and to disprove the vulgar notion, that by contracting debts beyond a certain sum, a trading nation which has a great balance in its favour, must be involved in an unavoidable bankruptcy. To say that a nation must become bankrupt to itself, is a proposition which I think implies a contradiction.

## C H A P. IX.

*Of Bankruptcies.*

**I**N the last chapter we have been running through a chain of consequences relative to the increase of public debts, which appear as extravagant to us at present, as it would have appeared to Davenant, to have supposed the debts of this nation to grow up to their present height, without the risk of involving the nation in a general bankruptcy.

But those consequences are only contingent. The present debts may either be paid off, or the nation may be involved in a general bankruptcy. In either case, the vast property in the funds, this great article of permanent income, belonging to natives and to foreigners, must wither and decay, and at last disappear altogether.

We may therefore decide, that one of three events must happen, viz. either, 1. Debts will swell to such a pitch as at last to pay themselves; or, 2. The nation will be involved in a bankruptcy; or, 3. They will be fairly paid off.

The first supposition we have examined; the second we are now to consider; the last will be the subject of the following chapter, with which I shall conclude this book.

I shall advance no argument to prove that the scheme of a public bankruptcy is either lawful, honourable, or expedient, if voluntarily gone into by a state; because I think it is diametrically opposite to every principle of good government. It is a maxim uncontroverted, that a contract is binding between the parties contracting, and that it ought to be fulfilled in every article. If the public good be alleged as an overruling principle, to which every other must give way, I readily admit the exception. There is another of equal force, the impossibility of performance. When such arguments

are used to engage a nation to commit a deliberate act of bankruptcy, two things must be examined: the first, is the interest which the public has in adopting the scheme: the second, the consequences of it. What reasons a state may have, I shall consider afterwards; at present, I shall enquire what might be the consequences of a general and total bankruptcy in England; from which we may gather what difference it would make, were it only partial; and by such an inquiry, we may be led to discover the proper method of breaking faith, in case it should become unavoidable. This is what in another place I called bringing credit decently to her grave; when after being overstretched, it cannot longer be supported.

A bankruptcy may take place in two ways: either as a consequence of circumstances which cannot be prevented; or by a deliberate act of government.

Were the trade and industry of England to decay, the amount of taxes might so far diminish, as to prove insufficient to pay the interest of the national debt, and defray the expence of government. Were the people to be blown up into a spirit of revolt against taxes, the same event would probably happen. In either case, the natural and immediate consequences of the bankruptcy would probably follow one another in this manner:

*1mo*, Every creditor of the state would become poorer in proportion to the diminution of his income.

*2do*, Consumption and the demand for work would diminish in proportion to the part of that income withheld, which the creditors annually expend for these purposes.

*3tio*, Trade would *directly* suffer, in proportion to that part of the said revenue yearly thrown into it by the public creditors at present; and it would *consequently* suffer, in proportion to the hurt resulting to private credit, from the consequences of the bankruptcy.

The creditors then would lose all, the trade of England would be undone, and the multitudes who live in consequence of the demand for their industry from the one and the other, would be reduced to misery. These immediate effects would first manifest themselves in

the capital. The consequences would soon be felt all over England: a diminution upon the consumption of the fruits of the earth; a stagnation of that commerce which is carried on between London and the country (which we have seen to be equal to the amount of all the taxes and land-rents spent in London) would soon throw every thing into confusion. But taxes would be abolished: of that there is no doubt. Let a deliberate bankruptcy take place without any abolition of them by law, they would soon sink to nothing, from the utter impossibility there would be found to pay them.

A total bankruptcy, therefore, coming upon England, either from a decay of her trade, or a disturbance in collecting the public revenue, would have the effect of plunging the nation into utter ruin at home: what might be the consequences from abroad, I leave to the reader's sagacity to determine.

Let me now suppose a bankruptcy to take place from a deliberate act of power, with a view of expediency.

The difference between the two consists only in this; that in the first, all the consequences we have mentioned would follow one upon another, without a possibility of preventing them: in the other, a plan to prevent them might be concerted.

Let me then suppose, that government shall find it expedient, at any time, to use a sponge for the public debts; that they shall fear no external bad consequences, either from the resentment of those states who may be hurt by it, or from the ambition of others who may profit by it; that they shall coolly resolve to sacrifice the interest of all the creditors in favour of the whole body; and that they shall deliberate upon the plan to be followed, in order to bring about so great a revolution, without essentially hurting any interest in the state, that of the creditors alone excepted.

In that case, I imagine, they would begin by ordering the amount of all that is paid to the creditors, to be set apart as a fund for the execution of the plan.

They would purchase all over England, every article of produce and manufacture which might remain upon hand for want of a market:

market: they would feed all those who would be forced to be idle for want of employment: they would instantly put proper employments into their hands; one week's delay in the execution of this part of the plan would throw the manufacturing interest into such confusion, as to be past all remedy: they would furnish credit to all the merchants subsisting, in proportion to what they had lost by the extinction of the funds: they would establish offices every where, to supply the wants of those who would be totally ruined, until by degrees they could re-establish confidence, the parent of trade, the mother of industry. By such precautions, properly taken, and properly executed, none would suffer but the unhappy creditors and their families, who, from great opulence, would be reduced to poverty.

As far as human prudence is insufficient for going through so great a detail all at once; so far would the effects of a general bankruptcy add hurtful consequences to those which in every case are unavoidable.

Were a statesman endowed with the supernatural gift of turning the minds of a nation at his will, and of foreseeing every consequence before it happened, such a plan might be executed. Another who, with the greatest capacity ever man was endowed with, would, for expediency, not for necessity, deliberately undertake a general bankruptcy, I should consider as a madman.

I should rather prefer to submit to the natural consequences which might result from an accidental bankruptcy, than endeavour to avoid them by a plan too complicated for human wisdom to execute.

Let us next suppose the scheme to be fairly executed from a view of expediency, no matter how, and all inconveniences prevented during the execution, what would be gained by it?

If by the supposition all taxes be kept alive, for at least a certain time, in order to prevent a total confusion, certainly no body could gain during that period; even the state itself would lose, because every branch of consumption would infallibly diminish. But that



time elapsed, and taxes reduced to the lowest, who would be the gainers? We shall see when we come to the doctrine of taxation, that a sudden abolition of them, in consequence of a bankruptcy, would be advantageous to no body, but to creditors upon mortgage, and to the idle: not to landlords; because their incomes would diminish more than in the proportion of the present land-tax, at least their improvements would be interrupted, and their rents ill paid: not to the manufacturing classes; because at present they pay no taxes, but in proportion to their idleness or extravagance, as shall be proved: the monied interest, not secured on land, would I suppose be extinguished; trade and credit at an end. The gains then would be confined to those who have money secured upon land, where the capital is demandable. In such a situation, interest would rise beyond all bounds; and a debt which might have been considered as a trifle before, might then carry off an estate. The idle also who live peaceably upon a very moderate income, would find a great advantage from the fall of prices for want of consumption, and from the distress of the industrious; but the indigent poor, who are supported from charity, would suffer: all the great establishments for labour and industry, would fall to the ground: the numbers of poor who are there maintained, would come upon a society, which is beginning to lose those tender feelings of compassion, which are more common in countries of idleness, in proportion as misery is more familiarly before them.

To say all in one word, a total bankruptcy, and abolition of taxes, would bring this nation back to the situation it was in before taxes, and debts were known.

Does any body imagine that our present situation is not analogous to our present policy, and that it is possible that independently of the same circumstances we should long continue to enjoy the advantages we feel? No: were we in the same situation as formerly, we should feel as our fathers felt. They had as good understandings to improve their circumstances as we have; but they had to do with an idle, we with an industrious common people. Trade and

and credit have been long at work to perform this great revolution: the operation is not as yet compleated, and a total bankruptcy now would destroy every good effect for a long time.

Were taxes made to cease, the large sums which proceed from them would disappear entirely. Money would not, as some imagine, be equally distributed among those who now pay the taxes, and so proportionally increase every man's income. The reason is plain: the money paid for taxes, circulates; because it is demanded. Were taxes suppressed, people having less occasion for money than formerly, would circulate less in proportion. It is the necessity of paying taxes, which creates this money for the payment of them; and when this method of creating is not contrived, the taxes cannot be paid, as has been often said. Now it is this great flux of money from taxes which animates the trade of England: take them out of the circle, what becomes of the whole?

To suppose, therefore, to great a revolution in the circulation of a country, as that produced by the cessation of taxes; and to suppose no interruption from it upon the state of industry, and the employment of the people of this nation, is a proposition I must reject, as being contrary to all principles; and to this among the rest, that it would be a most sudden, and a most violent revolution; which throughout the whole course of this inquiry, we have found to involve inconveniencies beyond the power of any theory to extricate.

Upon the whole we may determine, that the fatal consequences of a bankruptcy would be many; and that the good resulting from a total abolition of taxes, would be confined to two objects. 1. A relief to those who pay them upon their possessions, or persons. 2. A diminution of prices in favour of the idle at home, and of trade abroad: great objects, no doubt, could they be obtained at less expence than the consequences of a total failure of public credit and domestic industry. Perhaps when we come to examine the principles of taxation, we shall find that taxes do not raise prices so much as is generally believed; and those which influence the

application of public money, will point out better expedients than a bankruptcy for compassing those great national purposes.

But let us suppose a case, which may possibly happen, as matters seem to go on. Suppose, I say, that by continuing to carry on long and expensive wars, the sum of interest paid to strangers should exceed all that the nation can gain by her trade. In this case, there must be a general balance of payments against her every year, which very soon would manifest itself by the most fatal consequences.

The bank of England would be the first to feel them, by the departure of all the coin and precious metals. Trade would feel them next, and then indeed they would become universal.

In such a situation, I fairly acknowledge, that I cannot discover any expedient to avoid a bankruptcy. Engaging the foreign creditors to become citizens, by the allurements of the greatest privileges, and bills of naturalization, are vain speculations. Unless some resource, hidden from me, should, upon such an occasion, open itself, in the deep recesses of future events, I believe the nation would soon be driven upon the fatal rock of bankruptcy. The idea of a nation's becoming bankrupt to itself, I have always looked upon as a contradiction; but that it may become bankrupt to the rest of the world, is quite consistent with reason and common sense.

I shall not take upon me to suggest what mode of bankruptcy would in such a case be the best; a total, or a partial one. The partial, I am afraid, would, in England, work effects almost as hurtful as the other. But if ever the case should happen, the only way will be, to watch over every symptom of the approaching catastrophe, and to improve circumstances to the best advantage.

Of what infinite consequence is it then for a British statesman to inquire into the amount of debts owing to strangers, and into the state of the balance of trade? In speaking of exchange, I threw out many things concerning the idea of putting that branch of business

business into the hands of the bank, in conjunction with the exchequer. Were the state brought into the dilemma of either submitting to this gradual decline of trade, from a cause which could not be removed; or of being pushed to the necessity of leaping into the terrible gulph of a deliberate bankruptcy; in such a dilemma, I say, what infinite advantages might not be drawn from the management of exchange?

I have heard it said, that the debt owing to strangers was a great advantage to England; because it drew people to that market where their funds are settled. I allow all the force any one can give to this proposition: But alas! what would it avail, whenever England becomes incapable to furnish goods equivalent to all her imports from abroad, added to all she owes to her foreign creditors?

I am very far from supposing the present situation of England to forebode the approach of any such disaster; but it is good to represent to one's self some determinate object, by which we may judge of our situation in times to come.

Debts have increased far beyond the imagination of every mortal. Great men have uttered prophecies, which have proved false, concerning the consequences of a debt of one hundred millions. From this most people conclude, that they will go on until some unforeseen accident shall dash the fabric to pieces. I have been pretending to shew how they may go on in a perpetual chain. But alas! one fatal combination was there omitted; and now that it has been taken in, I think it serves as a datum, to resolve the most important problem of this science, viz. How to determine the exact extent of public credit. The solution of which is, That it is not necessary that public credit should ever fail, from any augmentation of debts whatever, due to natives; and that it must fail, so soon as the nation becomes totally unable either to export commodities equal to all their imports and foreign debts, or to pay off a proportional part of their capital, sufficient to turn the balance to the right side.

From this proposition two corollaries may be drawn.

1<sup>mo</sup>, That the most important object in paying off debts, is to get quit of those due to strangers.

2<sup>do</sup>, That whatever circumstance has a tendency towards diminishing the burden of foreign debts, should be encouraged.

If it be said, that whenever our foreign debts exceed the balance of our trade, the best way would be to break faith with strangers, and keep it with the subjects of the state: I answer, that were the thing possible, which I apprehend it is not, the consequence might prove equally hurtful.

The greatest of all the inconveniencies proceeding from a bankruptcy, is the ruin of industry, and the stop put to circulation. Can it then be supposed, that a country might execute so glaring a scheme of treachery to all her neighbours, and still continue her correspondence with them in the open way of trade? Certainly not. Were all foreign trade to be stop'd at once, what a revolution would it occasion! The circulation of foreign trade, in the city of London only, exceeds perhaps the amount of all the taxes. A stop put to that would occasion such a stagnation, as would ruin the nation as much as if the bankruptcy were to become universal. I do not here pretend minutely to trace consequences, which are infinite: all that can be done, is to suggest hints, which every one may pursue, in proportion to the extent of his combinations.

The intention of touching upon this subject at all, is to shew, that the expedient of a sponge, which is frequently talk'd of as a remedy against the consequence of debts, is, perhaps, more dangerous than any thing that can be fear'd from them. The reason is, that the sponge implies a more sudden bankruptcy than any one brought on in a gradual way, by natural causes.

Were natural and irresistible causes to operate a total failure of all profit upon the trade of Britain, one cannot say how far the other nations of Europe might not find it their interest to assist us, providing we did our utmost to preserve our good faith to them.

And as I think I have made it sufficiently evident that nothing can

can be gained by openly violating such engagements, the best resolution a nation can take, is to adhere to them to the last extremity, and to banish from their thoughts every idea which may be repugnant to them.

## CHAP. X.

### *Methods of contracting and paying off Public Debts.*

WE are now to collect together, in one view, the several methods of contracting and paying off the debts of a nation. Such methods may be deduced, either from principles, or from what practice has pointed out.

The foundation upon which public credit is built, is the existence of a sure and sufficient fund for performing the engagements contracted.

When, in the early times of public credit, the repayment of the capital was the chief object of the lender, a much more extensive fund was necessary than at present, when no more is required than the payment of the interest: As such funds never can be formed but from taxes, or general contributions from the people, the greater they are, the larger must the contribution be. Whenever therefore there is occasion to contract debt, the chief object of a statesman's care should be, to model the spirit of his people so as to dispose them to concur in the proper resolutions to render the plan propos'd as easy as possible in the execution.

In the first place, the body of the people must be made sensible that the consequence of contracting debts must imply a diminution upon the income of some individuals; but that the fewer the obstacles thrown in the way of the loan are, the less will that diminution be.

In the second place, he must gain the confidence of his people, so far as to impress them with a firm belief that he will consult *their* good, and nothing else, in what he undertakes.

And in the last place, he must gain the confidence of those from whom he is to borrow; and convince them that all covenants between the public and them will be religiously performed.

In a limited and free government, these three requisites are essential to the firm establishment of public credit.

Where the power of the statesman is unlimited, he may substitute his authority over the people, in the place of confidence; but with respect to those who are to lend, he will find no room for any such substitution: confidence *here* is the only expedient.

All therefore that is required as to the people, is to *enable* them to do what he requires of them.

For that purpose he must establish credit with them, for finding the contributions he is to exact of them; because they will have as much occasion for it, in paying what is demanded of them by authority, as he himself has in paying what he is obliged to in consequence of his engagements.

If this general plan be not followed, the consequence will be, that taxes will fail on one hand, and public credit on the other.

If all this operation cannot be previously concerted, the plan of borrowing must be circumscribed to funds previously established.

When money is borrowed before the fund is prepared, every obstacle which occurs in establishing it is a drawback upon the confidence of those who lend, and renders the conditions less favourable to the state which borrows.

In the contract of loan, the first article to be agreed upon is the rate of interest. We have, in the beginning of this book, examined the causes of its rise and fall; and have in general determined, that when the demand is for borrowing, interest rises; when for lending, interest falls.

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As the object of the borrower is to have interest low, the statesman who intends to borrow, must use all possible means to increase the quantity of money in circulation.

But if coin alone be used as money, and if this coin be sent out of the country, when borrowed, and if what is sent away cannot be replaced at will, the scheme of augmenting money becomes impracticable: it will daily become more scarce, more difficult to procure, and interest must rise higher every day. Symbolical or paper money, that is credit, must then be established at home, upon the firmest basis: this will enable every one to pay what he owes; consequently, the taxes will be paid, the creditors will receive what is due to them regularly, money will every year augment in proportion as debts are contracted; and if borrowing do not augment beyond that proportion, interest will not rise; and if borrowing should fall below that proportion, interest will sink.

Is not this whole doctrine verified in the strongest manner by the operation of the Mississippi? At the death of the late King of France, money had disappeared. Some years before, he had, for seven millions in coin, engaged his kingdom for thirty-two millions; upon a distant fund indeed, but still it became a debt to be paid. Paper money had not been introduced three years, when interest fell to 2 *per cent.* The paper indeed was a bubble *in fact*; but we have shewn that it became so from bad management only.

By the augmentation of money, capitals cease to be so valuable. By the melting down of property, the very capital, though in the hands of the state, may be turned into money by the creditor, whenever he has occasion for it; in the same way as the coin which is buried in the vaults of the town-house of Amsterdam, is constantly performing all the uses of circulation.

The method, therefore, of borrowing money to the best advantage, is previously to establish a fund of credit, arising from annual taxes; to provide the people who are to pay them with money in proportion to their property or industry; and to prevent

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the latter from ever failing for want of the medium, money, for carrying it on.

So long as interest stands high, relatively to other states with which you are at war, throw as much money as possible into the hands of your creditors, in payment of the debts already contracted; because the more you throw in there, the more you will draw out, if you have occasion to borrow more; and if you have no occasion to borrow more, the lower you will reduce the interest, by augmenting the fund of money to be lent.

From these principles I conclude, that every nation which sets out by contracting debts with its own citizens, must *begin* by borrowing upon condition of repaying the capital in a short term of years. This is also the best method to engage the people to contribute largely without murmuring. The reason is, that when taxes begin to be imposed, the mass of circulation becomes proportionally augmented; and the paying back considerable sums to the creditors, prevents, on the one hand, the debts from increasing so fast, and supplies circulation, and facilitates new borrowings on the other. While this plan of augmenting circulation is carrying on, the statesman must prevent his expence abroad from diminishing it proportionally at home. This is to be accomplished by opening loans for foreign expence in foreign countries, and by paying the *interest only* of such loans, with the greatest punctuality.

The difficulty of performing this, is no argument against it. It must either be done, or credit will be hurt; because without obtaining credit abroad, it is impossible to defray any expence incurred abroad, beyond what the metals of your country and the exports from it can pay: that is, in other words, beyond the quantity of metals exported, and general balance in your favour upon all reciprocal payments with the world.

If it be said, that nations never pay the interest of their debts any where but at home, I answer, that it is so much the worse for them; because wherever the debts or interest is to be paid, the lender

always states his account as if the payment were made in his own house. All the expence to him of sending his money to the place of subscription, and of drawing back his returns, are compared with the interest offered by the borrower; and if upon the whole he lender finds his account in the bargain, he subscribes; otherwise not. Since therefore the money borrowed must in this case be sent abroad, it is an advantage for the borrower to be under an obligation to provide a method of sending it; and by that means he will borrow cheaper than he can do, when he refunds to every lender all his expence and trouble in getting his interest remitted to him.

I am now deducing principles, and therefore shall not enter into a discussion of the many objections which occur against this plan; from foreign considerations; such as the facility it might procure to a statesman of defrauding his foreign creditors, and several others which might be formed: all I say is, that this is a cheaper and more systematical way of borrowing, and it has this good effect, that it constantly points out the state of the external debt, from which alone a bankruptcy is to be feared.

Were a favourable balance to return after an expensive war, the payment of this foreign debt would be the consequence, as much as now when the payment is made at home, and rather more so; because who ever owed a balance (to England, I suppose) would then pay his debts at London, with money due by England, payable at Antwerp, for example; consequently, he would transfer at discount; and when he transferred in favour of an Englishman, the debts may be considered as discharged upon the foreign fund, and stated a-new upon the funds payable in London. Could the payment of the interest of the public debts be rendered susceptible of such transfers upon all occasions, it would, I imagine, have a remarkable effect in favour of public credit.

This thought suggested itself, while I was considering the situation of a country where borrowing is in its infancy; and it occurred as an expedient for preventing foreign expence from draining

*the country of the money necessary for circulation at home.* This, in every combination of circumstances, is the most important object of a statesman's care, while he is engaged in wars abroad.

Now whether the money of a country be paper or coin, it is equally taken out of circulation, by every foreign payment. When it is coin, it goes out of the country, as well as out of circulation: when it is paper, it does not go out of the country, certainly, but by coming upon the debtor in it for payment, it is equally taken out of circulation; and what the debtor gives for it (viz. a bill of exchange upon another country) goes out of the country. And unless that bill of exchange can be paid with value exported in merchandize, it will remain a debt upon the country, contracted in favour of some other nation.

This I hope will be sufficient to recall to mind what has been fully explained in the 13th chapter upon banks; where the same question was stated with regard to the payments Scotland was obliged to make to England, towards the end of last war. The same principles operate in the case before us, and may be applied to every circumstance of it; with this difference only, that here the statesman's interest is more closely connected with that of his banks than was the case during the distress in Scotland: because if he does not support them by a systematical chain of conduct, he will drain the fund of circulation by his remittances; his credit will fail; his taxes will not be paid; and his people will be oppressed. But if he pursues his plan systematically, circulation will be kept full; his credit will be supported; his taxes will be paid; his people will be easy: because no check will be put either to industry or to consumption for want of money; a great part of the former solid property will be melted down into money; whatever part of that money is lent to the state will be, by that operation, consolidated into a new species of property, the public funds; and if after the borrowing scheme is over (that is, when peace is restored) circulation should be contracted, a part of the money will stagnate in the hands of individuals, and will, in their favour, be realized

in that part of the solid property which was melted down in order to produce it. That is, lands will be sold by the former proprietors, and will be acquired by those who have money not realized in stock; and for which circulation has no farther demand. This is the reason why, at the end of every war which has run the nation in debt, lands have constantly risen in their value, even when considerable quantities of them have been offered to sale.

If it be said that the stock-holders are those whom we commonly see buying the lands, and not those who have sums not realized:

I shall, in answer, observe, that the stock-holders can only buy lands by selling their stock, to those who have money not realized; so it is still the money not realized which is employed in buying every article of solid property: and even after that operation, the money still remains in circulation; because it is impossible to realize even paper money itself, except when the creditor in it becomes proprietor of the property upon which it is secured; and if the money be coin, it is plain that this cannot be realized any farther than it is by nature. When therefore we say, that a man realizes his money; we do not mean any thing farther, than that he gives his money to another in exchange for solid property. Thus when an estate is bought in a country where banks upon mortgage are established, a part of the price is commonly taken out of circulation altogether; because in consequence of the price paid, the bank is refunded what it had melted down of the land sold; consequently, that paper becomes consolidated a-new, as it were, with the lands which are relieved of the mortgage.

But when lands are sold in a country where there is no paper, the price remains in circulation as before; and if the quantity of coin in circulation should exceed the uses for it, a case which seldom happens in these days, it would be exported, and realized abroad.

When this complicated and systematical scheme of credit is not established, the infallible consequence is, that money disappears: consequently, interest rises. The taxes formerly imposed cannot be paid:

paid: consequently, it is in vain to seek to augment them; because in proportion as they are augmented, they become less productive. If money be borrowed upon remote funds, engaged for other debts previously contracted, and if public faith be at all events to be preserved, the consequence must then be, that the public will be eat up by usurers.

This was the case in England during the wars of Queen Anne.

So early as 1706, government, as has been said, began to borrow at 6 per cent. upon funds already engaged. What was the consequence? The exchequer having no money to pay the interest as it fell due, paid with tallies; these fell to great discount, and had they remained long in that discredited situation, lending would have stopped, or interest would have risen, as in France, so high as to lose the name of interest altogether. This was the case, in the example above cited, when seven millions ready money, borrowed by the late King of France, became a debt of thirty-two millions on the state.

Upon the occasion above mentioned, government availed themselves of the bank of England, as I say every private citizen should have a power to do, on every occasion, when his credit is good, though money should fail him. They engaged the bank to discount all tallies issued for interest of debts; that is, in other words, to turn those sticks into money: but as public credit was so low that money could not be found to discharge even the interest of the advance made by the bank, the government consented, that all advances of that kind should bear compound interest quarterly, at 6 per cent. What a monstrous profit to the bank! what a charge upon the state! Had banks of circulation upon mortgages been established at that time, money would have come in at a moderate simple interest to individuals, who would have availed themselves of them, for the payment of all public burdens. Instead of which, industry was made to suffer; the public money did not come in; taxation stopped; expences went on, and deficiencies were paid by the public at this monstrous charge.

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On the other hand, had it not been for the assistance the bank then gave the state, in circulating those exchequer tallies, bills, &c. it is very certain that credit would have failed as totally in England as it had done in France in 1708, when Desmaretz undertook the finances. This minister had no bank to avail himself of; and accordingly he run France in debt at the rate of two hundred millions of livres *per annum*, during seven campaigns; of which, I am persuaded, he did not receive one half, or near it, in effective value.

What I have said will, I hope, be sufficient to shew that the only way for any state to borrow, is previously to provide a fund for making good what is agreed upon with the lenders; and that all expedients to supply the want of it will in the end bring great expence upon the people, either by involving them in an excessive burden of debts, in case public engagements should be held sacred, as has constantly been the case in Great Britain; or by driving the state to a bankruptcy, as was the case in France upon the death of the late King. I call it a bankruptcy, because *all* that was owing was not paid. A man who pays no more than 19 s. 11  $\frac{1}{2}$  d. in the pound, is a bankrupt, as well as he who cannot pay one farthing.

I now come to the methods of paying off debts when already contracted.

Public debts may be divided into two classes, redeemable and irredeemable. Redeemable debts may be paid off in several ways, which we shall briefly enumerate before we compare their several advantages.

First then, such *debts* may be paid off at once, by refunding to the creditors the whole capital, with all arrears of interest.

*2do*, They may be paid off yearly, according to a certain rule to determine the preference, and order of payment: for this purpose, a determinate sum must be set apart as a sinking fund.

*3tio*, They may be paid off cumulatively and proportionally every year, by incorporating the sinking fund into the money appropriated

for discharging the interest, and by placing all that is paid beyond the interest, as payment in part of the capital.

4to, They may be paid in one sense, as shall be farther explained, by reducing the interest upon the capitals, without diminishing them.

5to, They may be paid off by converting them into annuities for lives.

6to, And lastly, they may be paid off under the value of the capitals, by the means of lotteries; where the state may gain what the creditors choose to lose from a desire of gaining.

To one or other of these methods may be reduced all the fair and honest expedients which a state may employ to get rid of their debts, without any breach of public faith, or without proceeding to the extremity of prescribing conditions of payment, which the creditors are forced to accept against their will.

As for the irredeemable debts, I apprehend, that, without consent of the creditors, no change upon the condition of loan can justly be made.

I shall next point out the advantages and disadvantages of the several methods of discharging debts, as they may affect the separate, or cumulative interest of a state.

Were large debts which have subsisted for a long time to be paid off all at once, it would occasion a sudden and a violent revolution, which is always attended with inconveniences.

Were, for example, the proprietors of lands to consent to sell off a part of their estates for the payment of the public debts, the quantity of land brought to market, would sink the price of it very considerably; from which would arise a great detriment to landlords. I shall not here inquire from whence such a sum of money could come.

Could a treasure be brought from India (let me suppose) sufficient at once to discharge the debts of Great Britain, circulation would become so glutted with money, that interest would fall to nothing.

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This would be a temporary loss to all the former creditors, until they had time to lend to the other states of Europe, who would, in consequence of the revolution, sink the rate of interest upon their own debts: Something like this was the consequence of paying off all the debts of France with bank notes in 1720, upon which interest fell, as we have observed above, to 2 per cent.

When, in the second place, debts are paid off partially every year, according to a certain rule, it is expedient to have the capitals reduced into shares of a determinate value, as is the practice in France, that they may be drawn out as in a lottery. The lots drawn may then be paid, and no detriment will follow to any particular creditor, more than to another: because if by being paid there be either profit or loss to the creditor, it will affect the value of the whole stock in proportion. If, upon the establishment of such a plan, the stock be found to rise, it will be a proof that either the interest formerly paid was below the common rate, or that the credit of the state was looked upon as precarious; if it should sink, contrary conclusions may safely be drawn.

This is a common method of paying off debts in France, where funds are more commonly divided into shares than in Great Britain.

In 1759, the King opened a subscription for seventy-two millions of livres upon the general farms: this sum was divided into seventy-two thousand actions, bearing 5 per cent. and it was stipulated, that upon the renewal of the farms in 1762, twelve thousand actions should be drawn by lot, and paid off monthly; so that in six months the whole debt was to be discharged.

The third method of applying what is annually paid above the interest, in extinction of the capital, is the measure proposed by Cardinal Richlieu for discharging the debts of France; only the Cardinal went to work in a very arbitrary way, both in determining the interest, and in fixing a value upon the capital, equally detrimental to the creditors.



To apply this to an example. Had England at the time government first established a sinking fund, arising out of the savings which were made upon reducing the rate of interest, from time to time, continued to pay to the creditors the same annual sums as formerly; and thereby applied what was paid beyond the interest, to the payment of the capital, there could not have been any misapplication of the sinking fund; and the debts by this time would have been greatly diminished. Whereas by applying the sinking fund to the service of the year, for the ease of the people and advantage of the creditors, the consequences may prove exceedingly inconvenient.

The fourth method of reducing debts is that adopted by Great Britain, viz. by reducing the interest paid upon them. From this we discover the reason why taxes, even in time of war, are seldom augmented in this kingdom much above the proportion of the interest of the money borrowed.

We have, in the second chapter of the first book, boldly declared this to be against principles, and the authors of such a scheme were there stigmatized as men of no foresight: we now see how much people may be mistaken in their conclusions in political matters, when they are formed upon too narrow combinations.

Were capitals intended *ever* to be paid, no doubt the conclusion would be just; but if it be resolved, that capitals shall never be considered as the object of attention, and that the interest alone shall be looked upon as the real burden, then all payment of capitals is unnecessary, except so far as by paying a part of them, it may serve to reduce the interest upon the rest, by making money regorge in the market beyond the uses found for it.

This plan cannot be carried on while a nation is engaged in an expensive war, which absorbs all the money to be lent: but it becomes the object of a statesman's care, after peace is restored, and when trade begins to bring in a balance upon exportations.

We have seen how that balance tends every year to diminish the capitals due to strangers, and to keep money at home. Then is the

time to extend taxation beyond the uses found for money to pay the interest. Two or three millions extraordinary, raised at the close of a war, and thrown into the hands of the creditors of Great Britain, in extinction of their capitals, would soon engage them to cry for mercy. They would find no outlet but France for such sums; and it is precisely after a war, that France is busy in playing off the arbitrary operations on her debts, which reduces her credit too low for any one to trust her with money. Let peace continue for a few years, confidence will there advance apace; and then it will become more difficult to make money regorge in England.

To say that taxes are already beyond all bounds, is, in other words, to say the nation is no more in a state of defence: because should Britain be again involved in an unavoidable war, the consequence will be, either to render more taxes indispensable, or to oblige the nation to submit to any terms demanded by her enemies.

If it be therefore true, that taxes may still be augmented, the most proper time for augmenting them, is, at the very close of a war; because then every circumstance favours the scheme, as we shall now explain.

We have said above, and experience proves the truth of it, that at the end of a war circulation becomes too full for domestic uses; and that the superfluity of money is realized upon property. This is the consequence of a sudden stop in national expence. Were taxes at such a time augmented, part of this regorging money would find a vent by the augmentation upon domestic circulation which taxes would occasion; which augmentation would circulate into the exchequer, instead of becoming consolidated with property, as has been said, and coming into the hands of government, would be poured into those of the creditors, in payment of part of their capitals. There it would regorge a-new; because it is observed, in general, that those who have property in the funds are not apt to squander money when unexpectedly thrown into their hands; on the

the contrary, they are commonly found to live very much within their income\*.

But suppose it should not immediately regorge, it would then increase expence and consumption; consequently, would advance industry, and render every branch of excises more productive. In every combination we can form, public opulence would be augmented: money would regorge at last; and then the creditors would come with their application to government to suspend the reimbursement of capitals, and to accept, in lieu of that, a diminution upon the interest.

This is the golden opportunity for diminishing the public burden occasioned by debts; and this method of compassing so desirable an end, is far preferable to that of compelling creditors to submit to a diminution, by offering a sudden reimbursement, which was put in practice in Britain in the year 1749, as has been observed. Had the public waited with patience one year longer, and then thrown in a few millions more than they did into the hands of the creditors, the proposal of reducing the interest would have come from

\* Experience shews, that when the debts of a nation have come to a height, the public creditors become people of great consequence, upon account of the ease and affluence of their circumstances. They are not exposed to the many hidden expences incident to land proprietors. They are a class in the state but lately known; the capital of their wealth is hid; and opinions concerning their figure and rank are as yet unformed. Whereas the family of a land proprietor is known; his expence may surpass that of his predecessors without much observation; but if it should fall below it, he commonly sinks in the estimation of his neighbours, who seldom combine circumstances which can only be guessed at. An heir to a landed estate, is bred up from his infancy with the notion of living like his father: the son of a monied man has commonly very different sentiments; and even when any of this class takes a turn to expence, the lustre of it is all displayed round their own bodies; that is, in their own house, and in their own families: no country seats, hounds, horses, servants in every quarter, family interest to keep up, little oeconomy in spending. In a word, every one feels better than I can describe, that landed men commonly exceed, and monied men commonly live within their income.

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the other quarter; which in all bargains with creditors is of the greatest consequence to the debtor.

The sum of interest thus diminished, upon an obligation to suspend the reimbursements of capitals for a limited time, three questions will naturally occur: 1. Whether the taxes should be diminished in proportion: or 2. If they should be allowed to subsist with a view to apply the overplus of them to national purposes; or 3. Whether it may not be most adviseable to turn such a part of the debts into annuities for lives, as may absorb the saving upon the former interest paid. The first two questions I reserve for the following book, where they will be fully examined; the last is the fifth expedient proposed for acquitting the public debts. As the nature of it is abundantly evident, I shall only repeat what I formerly observed, that this method of establishing a sinking fund, has the advantage of being less exposed to misapplications than any other.

The last expedient of paying off capitals, below the original value, by the means of lotteries, should only take place after interest is brought so low as to cut off any near prospect of reducing it still farther.

I shall not pretend to guess at the lowest point to which the rate of interest may be brought, by the expedients of increasing money at will, by the means of banks upon mortgage. I have in the seventh chapter of the first part of this book, thrown out a hint of a land-bank, which opens a very wide field of speculation; but in this place, it would be unnecessary to enlarge upon that subject.

Let me suppose the rate of interest brought lower in Britain than any where else, it will nevertheless be subject to periodical risings, on many occasions.

Upon every such emergency, capitals will sink in the market below par.

It is then only that a state can have recourse to this last expedient of opening lotteries, and taking in subscriptions at the market price of the funds subscribed into them. And although the annuities to

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be paid upon the lottery fund be regulated by the rate of interest at the time, and consequently considerably above the standard of the other debts; yet the same methods of reducing it afterwards will constantly produce their effects, and thereby diminish the capital by degrees.

In like manner, in time of war, when the public funds fall greatly in their price, government may open new subscriptions, and receive payment for them in their own paper at the market price, allowing a small premium in the rate of interest. If the creditors willingly subscribe upon these conditions, no violation of public faith can be alledged. By this operation, the capitals will be diminished, and the advanced rate of interest paid during the war, will return upon the peace to where it was: then the new subscriptions may be paid off, or subscribed for again at a lower rate than before.

Suppose it then resolved, that in time of war, the nation's creditors should be allowed, at certain times, to subscribe their capitals in books opened at the bank for that purpose, one quarter *per cent.* above the selling price. Would not this have the good effect of supporting the price of stocks on one hand, and of reducing the capital of the national debt upon the other? Example.

Let me suppose that in time of war, the 3 *per cent.* fell at 74  $\frac{1}{2}$ , might not government receive them at 75, and constitute the new subscription at 4 *per cent.*? What interest could any one have not to subscribe, who at such a time intends to sell his stock? His 3 *per cent.* sold to government at 75, and turned into a 4 *per cent.* would afterwards, when sold in the market, produce  $\frac{1}{4}$  *per cent.* more than if it had not been subscribed into the new fund.

Perhaps in Change alley, where calculation is carried to the utmost pitch of refinement, even this eventual advantage to government might sink the value of the new 4 *per cent.* Let this be allowed. The answer is, that when people compute with such nicety, and comprehend in their calculations every circumstance the most minute, it is, I think, the interest of a state (whose views should extend

extend far beyond the period of human life) to grant a premium upon such subscriptions more than sufficient to indemnify the subscribers, according to the most rigid calculation concerning their present advantage.

The smallest profit to be discovered by the nicest pen will engage the monied man to subscribe; consequently, the capitals of debts may be diminished, at a loss to the public almost imperceptible. And for this imperceptible loss in the mean time, the greatest national advantage may be obtained at a distant period.

It is now full time to close this book, which has swelled far beyond its due proportion: The subject of credit and debts is so connected with many questions relating to taxes, and to the application of their amount, that the connection of the subject would have suffered little in blending them together. But as I find it is a great relief to the memory to interpose, now and then, a pause; and as taxes were intended to be treated of by themselves, according to the plan I at first proposed, I shall make no alteration in it.

At the end of the first and second books, I subjoined a chapter of recapitulation; in the third book, this was supplied by a very full table of contents; here, because of the intimate connection of the subject of this and the following book, I shall refer the reader to the end of the volume, for a full recapitulation of both.

END OF THE FOURTH BOOK.